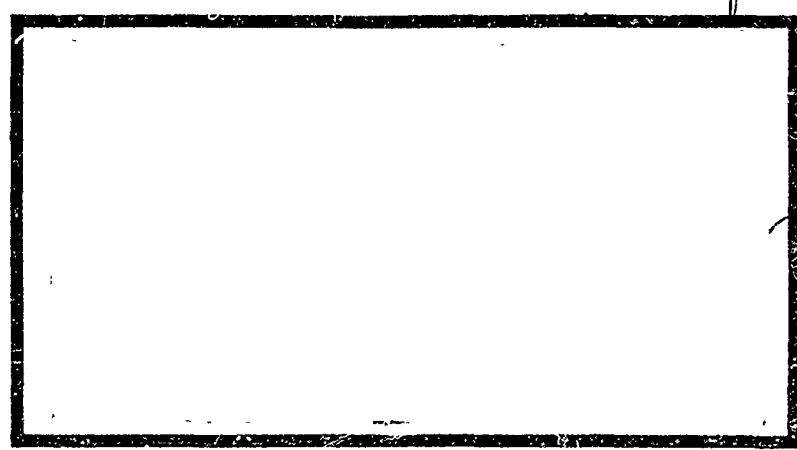


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UNIT STATES ARMS TRANSFERS AS
A CONSISTENT ELEMENT OF
UNITED STATES FOREIGN POLICY

Ricardo C. Pocater, Colonel, VAF
Lee P. Bell, Jr., Captain, USAF
Michael F. Kaiser, Captain, USAF

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On 19 May 1977, President Carter announced his Conventional Arms Transfer Policy. He contended that the US could not simultaneously be the world's leading champion of peace and largest arms dealer. He pledged to reduce the level of arms transfers. Beginning with the Truman administration, however, arms transfers through either grant aid or the Foreign Military Sales (FMS) program have been an important tool of US foreign policy. Despite criticism in recent years from sectors of the public and the Congress concerning the marked increases in transfers, the FMS program continued to be supported by and consistent with stated policy. Current increases in arms transfers, however, are contrary to the current stated policy. This thesis was directed toward tracing the evolution of arms transfers since WWII, their relationship to stated US objectives and thus to place current policy in a historical perspective. The authors conclude that transfers, since WWII and until the Carter administration, have been consistent with stated US objectives; that it is unlikely that for political and/or economic reasons the US could have pursued other courses of action; and that, unless rigid controls are developed, transfers will continue to rise.

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A CONSISTENT ELEMENT OF
UNITED STATES FOREIGN POLICY.

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Presented to the Faculty of the School of Systems and Logistics
of the Air Force Institute of Technology

Air University

In Partial Fulfillment of the Requirements for the
Degree of Master of Science in Logistics Management

By

10 Ricardo C. Pocater, ~~Colonel, USAF~~ Lee P. Bell, Jr., BS
Michael F. Kaiser, BA, MBA
Captain, USAF

11 September 1978

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This thesis, written by

Colonel Ricardo C. Pocaterra

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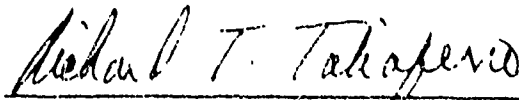
Captain Michael F. Kaiser

has been accepted by the undersigned on behalf of the faculty of the School of Systems and Logistics in partial fulfillment of the requirements for the degrees of

MASTER OF SCIENCE IN LOGISTICS MANAGEMENT
(Colonel Ricardo C. Pocaterra)

MASTER OF SCIENCE IN LOGISTICS MANAGEMENT
(INTERNATIONAL LOGISTICS MAJOR)
(Captain Lee P. Bell, Jr.)
(Captain Michael F. Kaiser)

DATE: 8 September 1978


COMMITTEE CHAIRMAN

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CHAPTER I

INTRODUCTION

At the end of World War II (WWII), the havoc wrought by years of ground and aerial warfare was beyond the restorative capacity of the belligerents in Europe and Asia (43). Large parts of England, France, Germany, and Japan had been laid waste. The fire bombing of Tokyo was perhaps even a greater national shock and disaster than the nuclear bombings of Hiroshima and Nagasaki (22:3). In Western Europe, cities were scenes of human tragedy of every description, and rural as well as urban people struggled to maintain viable societies against hunger, disease, and moral collapse. Cologne, for example, had been literally pulverized by 1.5 million bombs falling in 262 air raids. Seventy percent of the entire city was destroyed; of 252,000 housing units, 206,000 were totally wrecked or badly damaged; all five bridges across the Rhine River had been knocked out (76:21).

In contrast, the United States (US), largely by virtue of its isolated position, was relatively unscathed. The industrial capacity which had served, in the words of President Franklin Delano Roosevelt, as the "arsenal of democracy" was intact. The US took the lead in financing reconstruction and between 1945 and 1948 expended over \$14 billion for relief and rehabilitation.

The US actions were prompted both by humanitarian reasons and by reasons of self-interest. Regardless of the genesis of the war, much of the destruction had been at the hands of the US armed forces. With one exception, allies did not cease to be so with the cessation of hostilities.

The exception was the Union of Soviet Socialist Republics (USSR). In spite of pledges to the contrary at Yalta and Potsdam, the USSR occupied and subjugated the countries of Eastern Europe including the eastern zone of Germany. Marshall Josef Stalin, head of the Soviet state, warned that "under present capitalistic development of the world economy international peace was impossible [48:6]."

The US was thus faced with an expansionist policy by the USSR and economic conditions conducive to this expansion. A State Department official stated the US evaluation of the consequences of world economic chaos:

Hungry people are not reasonable people. Their thoughts are concerned with their misery and particularly with the tortured cries of their hungry children. They are easy victims of mass hysteria. When people become frightened elements of a mob, democratic precepts mean nothing [46:79].

Foreign aid to allied countries had thus evolved as a response to these political and economic challenges. It may be viewed as a tool of US diplomacy with three roles to play. First, foreign aid serves to create or dramatize a symbolic American "presence" abroad. Second, it is used as a compensatory device in exchange for international favors. Third, it is used to introduce or influence changes in other

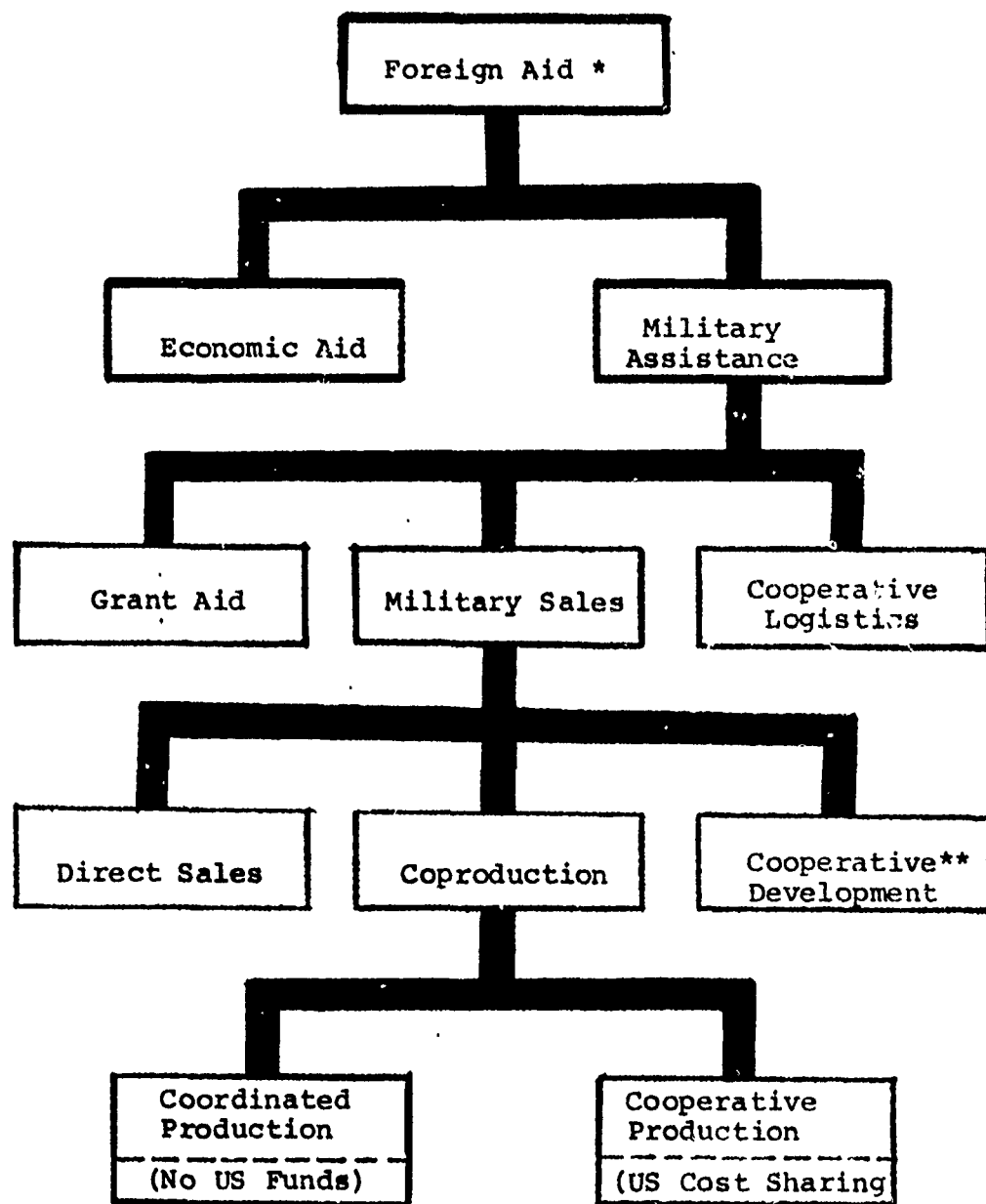
countries. Foreign aid is hardly a simple, unified program; rather it is a complex instrument of national policy and domestic politics (38:321-323).

Foreign aid may be in the form of economic or military assistance. Figure 1 displays the various types of foreign aid. Although the main concentration of this thesis is military assistance, it should be noted that economic aid had an earlier beginning than military assistance. In 1812, for example, the US gave a shipment of grain to Venezuela to help in recovery from a disastrous earthquake (38:324).

The military assistance being provided by the US plays an important role in US foreign policy. It exists totally as a tool of and cannot be divorced from foreign policy (44). Distinguished from the other forms of foreign aid which likewise exist as foreign policy implements, its name implies its nature--providing military aid to allied and selected non-aligned nations of the world.

The supply of military equipment to US allies prior to and during WWII was known as the Lend-Lease Program. A Military Assistance Program (MAP) was established after the war and rendered aid by "granting" or giving away surplus WWII equipment. When surplus equipment was no longer available, new production items were included in the grant aid to selected countries which could not afford to purchase the equipment (73:45).

President Harry S. Truman made the most significant contribution to the MAP when he changed the trend of US



*This chart of US Foreign Aid is not meant to depict the organizational structure of the Agencies designated to carry out such program, but rather it is meant to illustrate the various types of Foreign Aid.

**Cooperative development may lead to cooperative production.

Figure 1. Types of Foreign Aid (6:7)

foreign policy by linking the security of the US to the economic and defense posture of other free nations. President Truman stated before a joint session of Congress in 1947 that "it must be the foreign policy of the United States to support free people who are resisting attempted subjugation by armed minorities or by outside pressures [45:1]." This so-called "Truman Doctrine" was a major step in the evolution of foreign assistance legislation in that it acknowledged the United States responsibility to world leadership and represented an initial commitment of the US to the principle of collective security (62:p.2-2).

The success of the military and economic assistance by the US began to reveal itself in the latter part of 1960. Many European countries and Japan had recovered to the point that they were able to produce more of their own arms or to purchase them from other countries (64:p.2-4). One major way in which this recovery manifested itself was the balance of payments (4:41; 77:3). At the time these countries were building their monetary reserves, the US between FY 1957 and the end of FY 1961, lost about \$5 billion of its gold holdings while its liquid liabilities to foreigners (which represent potential claims on US gold) had risen from about \$15 billion to about \$22 billion (55:5).

The new prosperity of the once war-ravaged nations coupled with the unfavorable balance of payments for the US resulting from US troop deployment abroad brought about an increased interest of lawmakers and the Secretary of Defense

in military sales. The Foreign Assistance Act of 1961, which was the statutory base for the current military sales program, stressed the importance of military sales as compared to grants of military assistance to US allies.

In early 1962, Secretary of Defense Robert S. McNamara began to place emphasis on the Military Sales Program. He routed a memorandum through his department stating he "should like to encourage sales of military equipment appropriate to the needs of foreign nations in every way possible [55:6]." The main objectives were to:

1. Promote the defensive strength of US allies consistent with US political-economic objectives.

2. Promote the concept of cooperative logistics with US allies.

3. Offset the unfavorable balance of payments resulting from essential US military deployment abroad (55:7).

The success of the Foreign Military Sales program has generally been greater than originally predicted. Figure 2 indicates the countries currently eligible. From 1961 through 1966, it enabled the US to offset about 45 percent of the cost of maintaining its forces overseas other than Southeast Asia (6:15). As sales rose, grant aid continued as part of security assistance, but at an almost infinitesimal level (43). Figure 3 shows the relative decline from the post-WWII period of 1945-50 to 1975. Estimates for FY 1979 indicated only four nations would remain eligible for grant aid (44).

COUNTRIES

<i>Africa</i>		<i>Near East and South Asia</i>	
Cameroon	Mali	Afghanistan	Nepal
Dahomey	Morocco	Bahrain	Oman
Ethiopia	Niger	Greece	Pakistan
Gabon	Nigeria	India	Qatar
Ghana	Senegal	Iran	Saudi Arabia
Guinea	Tunisia	Israel	Sri Lanka (Ceylon)
Ivory Coast	Upper Volta	Jordan	The United Arab Emirates
Liberia	Zaire	Kuwait	Turkey
Libya		Lebanon	Yemen Arab Republic
<i>Europe</i> (Less Greece & Turkey)		<i>Western Hemisphere</i>	
Austria	Malta	Argentina	Haiti
Belgium	Netherlands	Bahamas	Honduras
Denmark	Norway	Bolivia	Jamaica
Finland	Portugal	Brazil	Mexico
France	Spain	Canada	Nicaragua
Germany	Sweden	Chile	Panama
(Fed Rep of)	Switzerland	Colombia	Paraguay
Iceland	United Kingdom	Costa Rica	Peru
Ireland	(Incl Crown Agents)	Dominican Republic	Trinidad and Tobago
Italy	Yugoslavia	Ecuador	Uruguay
Luxembourg		El Salvador	Venezuela
		Guatemala	
<i>Far East</i>		<i>International Organizations</i>	
Australia	Laos	North Atlantic Treaty Organization (NATO)	
Brunei	Malaysia	and its agencies	
Burma	New Zealand	Organization of American States (OAS)	
Cambodia	Philippines	United Nations (UN) and its agencies to include International Civil Aviation Organization (ICAO)	
China, Rep. of	Singapore		
Indonesia	Thailand		
Japan	Vietnam, Rep of		
Korea, Rep of			

1. As of 13 December 1973

Figure 2. Foreign Countries and International Organizations Eligible to Purchase Defense Articles and Defense Services Under the Authority of the Foreign Military Sales Act (71:A-2)

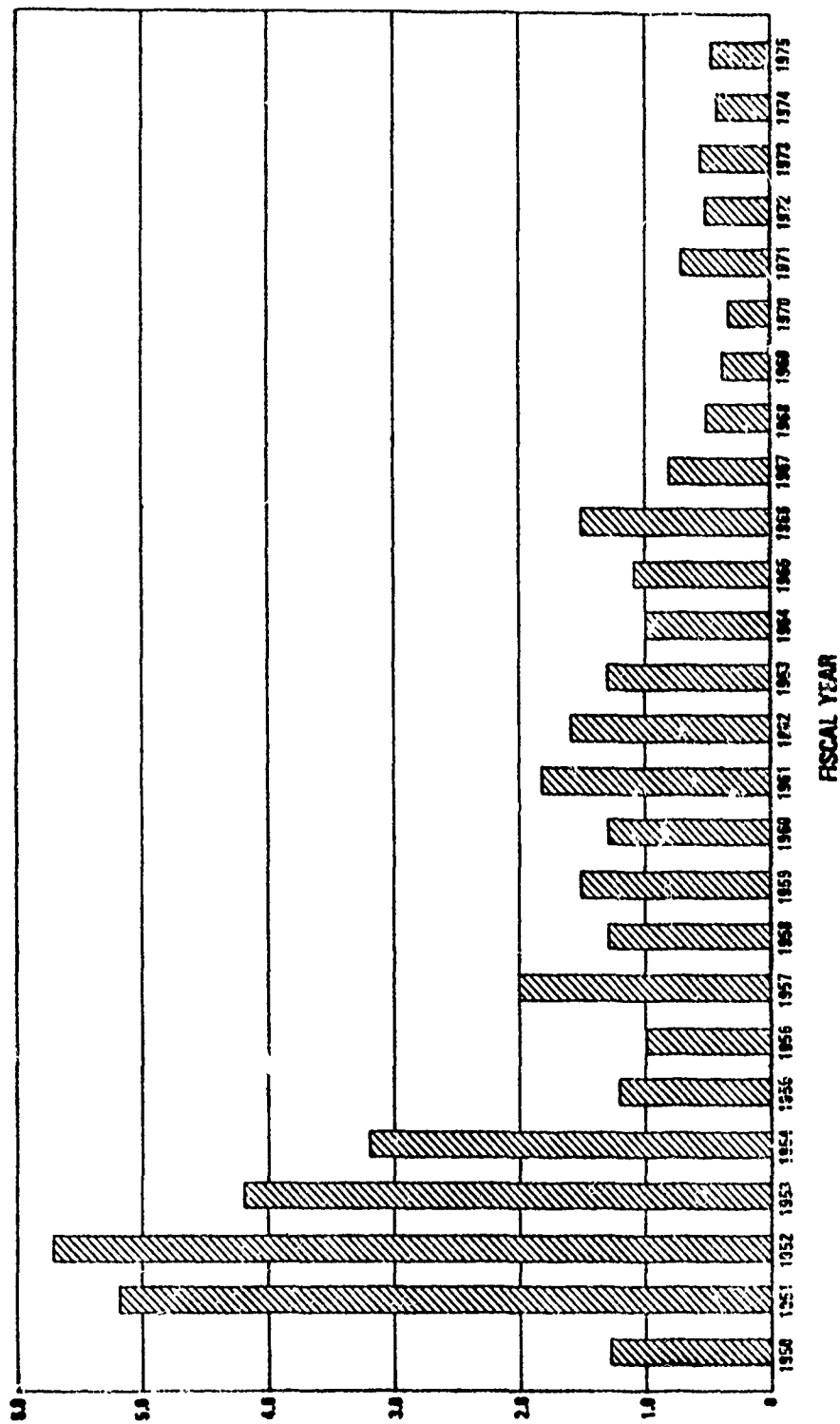


Figure 3. Military Assistance Appropriations (71:2)
FY 1950-1975
(Dollars in Billions)

Problem Statement

Foreign military sales are an important tool of US foreign policy and in many cases have a direct impact upon our relations with both the purchasing country and on its neighboring countries as well [78:1].

The National Security Act of 1947 established the US Government commitment to provide military and economic aid to foreign governments after World War II. Since that time, the Security Assistance Program has undergone significant changes as arms transfers have been on the rise.

A number of research teams and authors have examined arms transfers, various modes of transfer, and arms control. Nothing of a broad theoretical thrust, however, nor anything with a historical systemic dimension has emerged.

Since the end of World War II, US foreign policy objectives have transformed from those of containment of Communism to those of detente. The various stages of this policy transformation have been manifested in and implemented by arms transfers. The approach to arms transfers has undergone change in response to political and economic considerations. There is a need, therefore, to trace historically and to investigate the rising trend of US arms transfers as it relates to US foreign policy objectives. This investigation will provide an increased understanding of the status of US arms transfers today and in the future.

Definition of Terms

Arms transfers. This is the most highly aggregated term which

is descriptive of the phenomenon under investigation. Such transfers include defense articles and services such as arms, ammunition, implements of war and components thereof, training, manufacturing licenses, technical assistance and technical data related thereto. Included are government transfers under the Foreign Assistance Act of 1961, as amended; the Foreign Military Sales Act of 1968, as amended; or other statutory authority. Also included are transfers made directly by commercial firms to foreign governments, of foreign private firms, and international organizations (71:1). In other words, both reimburseable and nonreimburseable transfers and government and commercial transfer channels are involved. Transfers are limited to conventional, i.e., non-nuclear arms.

Balance of trade. The statement that takes into account the values of all goods, all gifts and foreign aid, all capital loans, all gold and international reserves coming in or going out of a country (51:655). As various authors use the terms interchangeably, balance of payments will be synonymous with balance of trade for purposes of this thesis.

Direct commercial sales. These are sales of defense articles and services made by US industry directly to foreign customers which are not administered by the DoD and which do not involve credit arrangements under the provisions of the Foreign Military Sales Act. Commercial sales of items contained on the US Munitions List are subject to export licensing as prescribed by the Department of State International Traffic in Arms Regulations (71:3)

Foreign military sales (FMS). This term refers to the sale, on cash or credit terms, of US military equipment to a foreign nation as currently provided for under various public laws enacted by the Congress: Foreign Assistance Act of 1961, as amended; the Foreign Military Sales Act of 1968, as amended; and the Arms Export Control Act of 1976, as amended. Sales may be made on a government-to-government basis or on a US industry-to-foreign government based (70: p.2-1). The latter, as defined above, are referred to as commercial sales.

Military Assistance Program (MAP). This term refers to the provision of military guidance or equipment to a foreign nation by means other than sales. This assistance may include military aid, grant aid, and disposal of surplus military stocks. Under grant aid military assistance programming, the US provides recipient nations with military equipment free of charge, subject to various conditions relating to its use, transfer, sale, and disposal (63:7-8).

Military export sales. This term describes a narrower concept of arms transfers. The term encompasses all sales of defense articles and services whether made by the Department of Defense (DoD) or by US industry to a foreign government, a private foreign firm, or an international organization. The two categories of military export sales were defined earlier--FMS and direct commercial sales (60:9).

Policy. A policy is a plan of action. It is a statement of intention committing the policymaker to a general course

of action (3:47). A policy does not "set down a series of explicit steps to be followed in performing a task," but it does broadly indicate "the intended course of action [30:461]." As is common in the foreign policy literature reviewed, the terms foreign policy and foreign policy objectives are used interchangeably.

Security Assistance Program. The actions of the US government to provide defense articles and services to friendly foreign countries. Security assistance includes both military sales and aid programs. This term is sometimes used interchangeably with military assistance as security assistance was not a generally used term until 1971 (78:55). The Security Assistance Program (as a capitalized term) designates existing program(s) operating within Congressional legislation whereas, security assistance program refers to security assistance in a general sense.

Justification for Research

Historical research pertaining to US arms transfers and their relationship to US national security and to US foreign policy objectives is justifiable and timely for several reasons.

First, as expressed in legislation and committee statements, Congressional interest in whether arms transfers relate primarily to national security or to the national economy is increasing. Some senators have spoken against the proliferation of arms sales (61:44). Others have pointed out that the

sale of the sophisticated Airborne Warning and Control System (AWACS) to Iran contributed nothing to American security (58:40). The late Senator Hubert Humphrey (D-Minn) considered such sales a threat to world security (16:79). Many thought the upward trend in sales detracted from the overall national security purpose of FMS toward less justifiable political and economic objectives (41:22).

Second, objective historical information can provide an aid to better understanding of factors purported to influence arms exports. The economic and security roles of arms transfers need to be distinguished more clearly. President Jimmy Carter on 19 May 1977 announced a new US policy governing the transfer of conventional armament to foreign states. (Appendix A contains the statement text.) The objective of this policy was to reduce arms sales. To date, however, arms sales have continued to spiral upward (32:iii).

Third, the formation of the International Logistics Center as an integral unit of the Air Force Logistics Command evidences the growing concern of the DoD with the complexity of arms transfer and support (43). The authors have particular interest in the field since they will be working exclusively with FMS upon graduation.

Research Objective

The objective of this thesis is to investigate and trace the historical evolution of US arms transfers since the end of WWII in 1945, their relationship to US foreign policy,

and thus to place in historical context the current stated US policy of arms transfer limitation and reduction.

Research Questions

From the rationale used in the justification of the historical research and the research objective comes the foundation for the research questions.

1. What has been the relationship of arms transfers to US foreign policy objectives? Have arms transfer actions been consistent with stated policy?
2. Could the US have pursued another transfer mode, i.e., grant aid or sales, at a particular period? Could the US have pursued a different course of action with more efficacious results?
3. Will the historical growth trend of US arms transfers continue in spite of President Carter's Arms Transfer Policy?

Research Methodology and Plan of Presentation

Research design. Primary documents surveyed can be divided into four categories:

1. Books, dissertations, and published and unpublished reports;
2. Regulations, manuals, and Department of Defense directives;
3. Policy statements, Congressional hearings, reports, and debates;

4. Additional sources of literature, e.g., newspapers, periodicals.

In addition, unstructured interviews were conducted with personnel of the School of Systems and Logistics and the Defense Institute of Security Assistance Management. Personnel interviewed are referenced in the text where appropriate and in the bibliography.

These sources were used to provide the basis for the historical synthesis presented in subsequent chapters. The period of interest is from the end of WWII in 1945 until 30 June 1978.

Procedures. Information was selected from the data outlined according to the following two criteria:

1. Relevance to the research problem, the research questions, and the research objective stated. This "relevance" was determined by the best judgement of the researchers.

2. Reliability, concerning the source. Reliability of information was determined by the best judgement of the researchers. This determination was based on the comparison of multiple sources for consistency and the careful examination of all sources for currency.

Specification of the information sample. Fox (18:407) said of historical research that data which is discovered by the researchers can only be a sample of data which actually exists. This observation applies to the information base used for this thesis. It is not possible, therefore, to specify the para-

meters of the information sample, or to state specifically the degree to which it is representative of the information population, simply because the extent of all the information that has ever existed cannot be determined. The information sample used for this thesis comprised data which could be discovered within the time and other constraints prevailing. Consequently, the information base should be regarded as a sample of convenience.

Limitations and assumptions. As discussed by Helmstadter (21:48-49) and Fox (18:408), one of the major limitations of research of the type undertaken for this thesis relates to the problem of drawing inferences about events that have occurred, or statements that have been made, in the past. As discussed by Phillips (47:148), the circumstances under which historical information was created and the conditions under which it was recorded can rarely be determined by a historical researcher. This restricts the degree of generalizations that can be made as it is possible to draw conclusions only from the information sample itself.

This limitation is recognized in this thesis and consequently great care was taken in drawing conclusions from the information discovered. The authors are well aware of the possibility that different conclusions could be drawn from information to be discovered relating to the same subjects covered in the research.

The data required for examination of the balance of trade and the US economy will be obtained from published

services such as statistical abstracts and published works. No extensive effort will be made to verify such data beyond confirming the validity of the source.

The primary purpose for presenting a detailed historical synthesis is to trace US attitudes towards arms transfers during the period of review. In this respect, the assumption was made that the attitudes of the US were reflected in legislative and executive branch enactments and official government reports on legislative and executive activity.

Plan of presentation. Figure 4 contains a summary of US foreign policy makers for the period under study. Examination of the figure reveals various overlaps between Presidents and/or Secretaries of State. Subsequent chapters, therefore, will deal with policy by the most logical division between administrations and terms of service by a certain Secretary of State. Chapter 7 contains conclusions and recommendations for further research.

The presentations in the chapters assume some familiarity with legislative processes relating to the passage of bills through Congress, the differences between authorization and appropriation bills, and the functions performed by various agencies of the executive branch. For readers unfamiliar with these subjects, a brief presentation of appropriate material is given in the Appendices.

<i>Presidents</i>	<i>Secretaries of State</i>	<i>Chairmen of the Senate Foreign Relations Committee</i>	<i>Secretaries of Defense</i>
Harry S. Truman (1945-1953)	Edward R. Stettinius, Jr. (1944-1945) James F. Byrnes (1945-1947) George C. Marshall (1947-1949) Dean G. Acheson (1949-1953)	Tom Connally (1941-1947) Arthur H. Vandenberg (1947-1949) Tom Connally (1949-1953)	James V. Forrestal (1947-1949) Louis A. Johnson (1949-1950) George C. Marshall (1950-1951) Robert A. Lovett (1951-1953)
Dwight D. Eisenhower (1953-1961)	John F. Dulles (1953-1959) Christian A. Genter (1959-1961)	Alexander Wiley (1953-1955) Walter F. George (1955-1957) Theodore F. Green (1957-1959) J. W. Fulbright (1959-1975)	Charles E. Wilson (1953-1957) Neil H. McElroy (1957-1959) Thomas S. Gates, Jr. (1959-1961)
John F. Kennedy (1961-1963)	Dean Rusk (1961-1969)	J. W. Fulbright (1959-1975)	Robert S. McNamara (1961-1968)
Lyndon B. Johnson (1963-1969)	Dean Rusk (1961-1969)	J. W. Fulbright (1959-1975)	Robert S. McNamara (1961-1968) Clark M. Clifford (1968-1969) Melvin R. Laird (1969-1973) Elliot L. Richardson (1973)
Richard M. Nixon (1969-1974)	William P. Rogers (1969-1973) Henry A. Kissinger (1973-1977)	J. W. Fulbright (1959-1975)	James R. Schlesinger (1973-1976)
Gerald R. Ford (1974-1977)	Henry A. Kissinger (1973-1977)	J. W. Fulbright (1959-1975) John Sparkman (1975--)	James R. Schlesinger (1973-1976) Donald Rumsfeld (1976-1977)
James Carter (1977--)	Cyrus A. Vance (1977--)	John Sparkman (1975--)	Harold Brown (1977--)

Figure 4. Makers of US Foreign Policy

CHAPTER II

THE TRUMAN ADMINISTRATION

Introduction

In October 1947, President Harry S. Truman summed up the elementary objectives of his administration: "We have sought peace and prosperity--prosperity for all people, peace for all the world [35:78]." He had earlier explained how in large part he hoped to fulfill such objectives; in so doing he revealed the postwar American conception of the world and America's place in it:

A large volume of soundly based international trade is essential if we are to achieve prosperity in the United States, build a durable structure of world economy and attain our goal of world peace and security [35:78].

Such statements by Mr. Truman echoed the philosophy of his predecessor and wartime President, Franklin Delano Roosevelt. Just before his death President Roosevelt had informed Congress that "we cannot succeed in building a peaceful world unless we build an economically healthy world [23:7]."

That undertaking would be no easy task. Despite extensive economic and humanitarian assistance to war-torn nations immediately after the war through the United Nations Relief and Rehabilitation Administration, it became apparent in 1947 that Western Europe was on the verge of economic collapse (65:2).

Amidst this economic instability, the political leadership of the US was challenged by the expansionist actions

of the Soviet Union. The USSR had absorbed the Baltic nations of Latvia, Lithuania, and Estonia in 1940 and following the war had unilaterally rearranged the boundaries of Eastern Europe. Despite agreement by the Soviets at the Yalta and Potsdam Conferences to free elections and democratic governments in nations liberated from Nazi hegemony, they imposed political control through military presence upon Poland, Hungary, Bulgaria, Romania, and Albania. Yugoslavia was already under the Communist control of Marshall Tito and Czechoslovakia was living in the shadow of the Red Army. In the now famous words of Winston Churchill:

From Stettin in the Baltic to Trieste in the Adriatic, an iron curtain has descended across the continent. Behind that line lie all the capitals of the ancient states of Central and Eastern Europe. Warsaw, Berlin, Prague, Vienna, Budapest, Belgrade, Bucharest, and Sofia, all the famous cities and populations around them lie in the Soviet sphere and all are subject in one form or another, not only to Soviet influence but to a very high and increasing measure of control from Moscow [57:32].

In marked contrast to the Soviet actions, at war's end the US began a speedy demobilization of its armed forces in expectation of an "era of goodwill" and a "restoration of normal peacetime harmony among nations [46:31]."

In May 1945, at the end of the war with Germany, the United States had an army of 3.5 million men organized into 68 divisions in Europe, supported by 149 air groups...allies supplied another 47 divisions. By March 1946, only ten months later, the United States had only 400,000 troops left, mainly new recruits; the homeland reserve was six battalions. Further reductions...followed. Air Force and Navy cuts duplicated this same pattern [57:32].

United States forces in Asia experienced similar cuts. The Chiefs of Staff had so few troops at their command that they worried about obtaining enough men to guard airstrips in

Fairbanks, Alaska (57:93). They described the status of US forces in Asia:

...literally almost no military forces outside of our Navy and outside of an effective but not too large Air Force, except the occupation garrisons, and...even in Japan they were only at about 60 percent strength [14:266].

United States foreign policy makers were thus singularly unprepared for the Soviet hegemonic actions. They interpreted the Soviets' agreement to free elections to mean legitimate self-determination and not establishment of governments favorable to the Soviet Union. Reevaluation by US policy makers led to, in the words of American Secretary of State James Byrnes, a "policy of firmness and patience [35:5]." This meant that the US would take a firm position whenever the Soviets became intransigent and would not compromise simply in order to reach quick agreement.

American interests in a peaceful world, the economic chaos of Europe, and the aggressive behavior of the USSR thus gave rise to a three-pronged American foreign policy--the Truman Doctrine, the Marshall Plan, and the rearmament of Europe. The three entwined economic development with military aid; the result was to be stability and peace.

Truman Doctrine

Having provided a shield of buffer states between itself and its historic enemies, the USSR next looked southward for ice-free ports--Greece offered a prime opportunity, as did Turkey. Communist rebels in Greece were actively aided in a determined effort to overthrow the legitimately elected

government. The Soviets were also making demands of Turkey for joint control of the Dardanelles and for territorial concessions on the shores of the Black Sea (29:10). Further to the east, the Soviets were actively fomenting rebellion in Iran as they refused to withdraw their troops from the northern province of Azerbaijan.

The Middle Eastern area had traditionally been a British sphere of influence and under British protection. World War II, however, had gravely impaired the British economy. The British government informed Washington in February of 1947 that they would be unable to render any further economic and military support to the Hellenic government. In the British and American assessments, Greece, deprived of British support would ultimately fall under Soviet domination. By US assessment, the impact for the free world would be catastrophic. Greece formally appealed for US assistance.

President Truman and American leadership had been greatly disturbed by the actions of Moscow. American policy makers were only beginning to realize the ideological differences which would make Soviet activities inherently "unreasonable" in American eyes. It was George Kennan, the US Foreign Service's foremost expert on the Soviet Union, who first presented the basis for what was to be the new American policy--containment.

Kennan's analysis began with a detailed presentation of the Communist outlook on world affairs. In the Soviet leaders' pattern of thought, Russia had no community of

interest with the capitalist states as it had had in WWII when the defeat of the Axis had been the common goal. Indeed, they viewed their relationship with the West in terms of an innate antagonism. Communist dogma had taught them that "the outside world was hostile and that it was their duty eventually to overthrow the political forces beyond their borders [57:37]." According to Kennan, this Soviet hostility was a constant factor; it would continue until the capitalistic world had been destroyed.

Basically, the antagonism remains. It is postulated. And from it flow many of the phenomena which we find disturbing in the Kremlin's conduct of foreign policy: the secretiveness, the lack of frankness, the duplicity, the war suspiciousness, and the basic unfriendliness of purpose.... These characteristics of the Soviet policy, like the postulates from which they flow, are basic to the internal nature of Soviet power and will be with us...until the nature of Soviet power is changed [57:38].

Until that moment, Kennan analyzed, Soviet strategy and objectives would remain the same.

Thus, in Kennan's estimation, the struggle would be a long one. He stressed that Soviet hostility did not mean that the Russians would embark upon a do-or-die program to overthrow capitalism by a fixed date. The Soviets had no timetable for conquest. Kennan succinctly outlined the Soviet concept of the struggle thusly:

Its main concern is to insure that it has filled every nook and cranny available to it in the basin of world power. But if it finds unassailable barriers in its path, it accepts these philosophically and accomodates itself to them. The main thing is that there should always be pressure, increasing constant pressure, toward the desired goal. There is no trace of any feeling in Soviet psychology that the goal must be reached at any given time [28:3].

How then could the US counter such a circuitous policy? Kennan's response was that US policy would have to be one of "long-term, patient, but firm and vigilant containment [57:38]." The US would find the Soviet style of diplomacy both easier and more difficult to deal with than that of dictators such as Napoleon and Hitler (43).

On the one hand, it (Soviet policy) is more sensitive to contrary force, more ready to yield on individual sectors of the diplomatic front when that force is felt to be too strong, and thus more rational in the logic and rhetoric of power. On the other hand, it cannot be easily defeated or discouraged by a single victory on the part of its opponents. And the patient persistence by which it is animated means that it can be effectively countered not by sporadic acts which represent the momentary whims of democratic opinion, but only by intelligent long-range policies on the part of Russia's adversaries--policies no less steady in their purpose, and no less variegated and resourceful in their application, than those of the Soviet Union itself [57:38].

Kennan thus envisioned containment as a test of American democracy to conduct an effective foreign policy and to contribute to changes within the USSR which might bring about a moderation in its revolutionary aims. He was, in effect, asserting the old thesis that within a totalitarian state there are certain stresses, and that these give rise to frustrations which can only be channeled into an aggressive and expansionist foreign policy. Kennan's remedy was to prevent this expansion and thus turn the tension inward. The Soviets would thus have to relieve international tensions in order to concentrate on domestic problems (57:41).

In response to the Soviet sense of "duty" to expand, Mr. Truman was quick to seize the course which he felt

characterized "America's duty." He immediately reacted to the Greek appeal. After hurried conferences with military and Congressional leaders, he made a surprise appearance before Congress on 12 March 1947 to present an address, the essence of which became the Truman Doctrine.

In beginning his message, President Truman described the plight of war ravaged Greece. He then stated:

I believe that it must be the foreign policy of the United States to support free people who are resisting attempted subjugation by armed minorities or by outside pressure...the free people of the world look to us for support in maintaining their freedom. If we falter in our leadership, we may endanger the peace of the world and we shall surely endanger the welfare of our own nation.

I believe that our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes...I therefore ask the Congress to provide the authority for assistance to Greece and Turkey in the amount of \$400,000,000 for the period ending June 30, 1948 [57:38].

The Congress responded promptly with passage of the National Security Act of 1947. The act is generally accepted as the US initial commitment to the principle of collective security. It is likewise recognized as the genesis of current foreign assistance programs. It has served as a model for all subsequent military assistance legislation.

As assistance began to flow from the US, a military mission was sent to Greece. A British military mission was already on the scene and the two missions worked harmoniously together. It is interesting to note that because a substantial part of existing Greek military equipment was of British origin some \$70 million of US aid to Greece went to Britain

for repairs and replacements thus aiding the sagging British economy (43).

The American military mission operated under the title "Joint United States Military Advisory and Planning Group in Greece (Such a mission would subsequently become known as a Military Assistance Advisory Group (MAAG). By 30 June 1947, the US mission in Greece had expanded to 527 persons. American advisors were used down to the battalion level, although they were not part of the Greek chain of command. General James A. Van Fleet, chief of the US military mission, sat as a nonvoting member of the Greek Supreme National Defense Council.

In Turkey, American assistance took different form than in Greece. Because the Turks were not attempting to fight an active war such as being fought in Greece, American assistance took the form of a balanced attempt to improve logistics facilities and to build up the Army, Navy, and Air Force. Roads were built and arsenals improved. By the middle of 1949, the US military mission included 410 persons.

Under the authority of the National Security Act of 1947, the Congress appropriated \$645 million in three years. Of this total, \$345.3 million was used for military assistance in Greece and \$152.5 million was used in military assistance in Turkey. The remainder, \$147.2 million, was used for economic assistance (43).

Greece and Turkey remained US allies. Great pressure was also brought to bear on the USSR, which resulted in Soviet evacuation of the northern Iranian province of Azerbaijan.

The Marshall Plan

The commitment to Greece and Turkey was only the first act under the new American policy of containing Soviet expansion. Britain's state of near-collapse, which had left the US no alternative but to become involved in the eastern Mediterranean, was symptomatic of conditions throughout Europe. "Basically, Britain's crisis was an economic one [57:43]."

As an island nation, Britain was dependent for her livelihood--indeed, her survival--upon international trade. A highly urbanized society as a result of the Industrial Revolution of the nineteenth century, she depended heavily upon imports. Prior to the war, for example, Britain imported 55 percent of her meat, 75 percent of her wheat, 85 percent of her butter as well as most of the raw materials needed for her industries: cotton, rubber, wool, iron ore, timber, and oil (57:43).

Britain paid for these vitals by one of three means: services such as shipping, income from foreign investments, and manufactured exports. "But the war had crippled her merchant marine, liquidated most of her investments, and destroyed many of her factories [57:44]."

In Germany, postwar conditions were desperate. The war had been carried into the heart of Germany and rural as well as urban areas lay in chaos and rubble. Germany faced economic, social, political, and moral breakdown (76:22).

The measure of Germany's collapse was indicated by the fact that the cigarette had replaced money as the prevailing unit of exchange. Cigarettes could buy almost

anything. The black market flourished. Even as late as 1947, a package of cigarettes was equivalent to a working man's entire wages for a month; one cigarette had twice the purchasing power of a salary a man could earn in Berlin after a hard day's work clearing away rubble. The allied target ration of 1,550 calories per day, which was hardly enough to sustain a healthy human being, was rarely reached It was a desperate situation. Respectable girls sold their bodies for one or two cigarettes, a pair of nylons, or an army ration; dishonor was preferable to death.... Juvenile delinquency increased 400 percent over the pre-war level; stealing became as respectable a way of earning a living for boys as did prostitution for girls [57:45].

In Italy and France, conditions were nearly as serious. The Allies could perhaps only have been in worse shape if they had lost the war.

The situation was made to order for the large and well organized Communist parties, particularly of Italy and France. One-quarter of France's electorate (practically the entire working class) voted for the Party. In Italy, the Party drew one-third of the votes of the electorate (57:46). As representatives of labor, the Party was in a powerful position to prevent any improvement in the workers' conditions. Such improvement would remove its raison d'être.

With Europe in such chaos, everything seemed to force her dependence upon the US. Most of the items needed for European reconstruction such as wheat, cotton, sulphur, sugar, machinery, trucks, and coal, could be obtained in sufficient quantities only from America (57:46). Yet, Europe with a stagnating economy was in no position to earn dollars needed to pay for these urgently needed materials. Moreover, the US was so well supplied that she did not need to buy much from abroad. The nations of Europe were thus unable to "earn"

dollars for the purchase of the commodities essential to recovery. "The result was an ominous 'dollar gap'--a term that frightened the Europeans as much as the 'cold war' [76:23]."

The possibility of Europe's collapse posed a fundamental question to the US: Was the survival of Europe vital to American security?

The answer was never in doubt: American independence and security required that we (the US) establish a balance of power in the interior of Europe. This was necessary to check any nation with designs on the sea-bordering states as a pre-requisite to the elimination of England and eventual world conquest.... Western Europe controlled the sea gateways vital to American security--the Skagerrak, the English Channel, and the straits of Gibraltar. It possessed the largest aggregation of skilled workers, technicians, and managers outside the United States. It maintained the second greatest concentration of industrial power in the world. A healthy and strong Europe could help shore up the balance of power [57:53].

The US role toward Europe, therefore, had to be that of a doctor toward an ill patient. The medicinal treatment prescribed was a massive injection of dollars. The "cure" was to be administered as grants rather than loans which could only intensify Europe's dollar malady.

Only such a program could restore and surpass Europe's prewar agricultural and industrial production, close the dollar gap, and lead Europe to the recovery of its élan vital, political stability, and economic prosperity ... [57:54].

In a commencement address on 5 June 1947 at Harvard University, Secretary of State George Catlett Marshall (who subsequently lent his name to the recovery program) first expressed the willingness of the US to act as a physician and called upon the nations of Europe to cooperatively join, plan their recovery, and present the US with a program for their

common needs and common recovery.

Sixteen nations joined in forming the Organization for European Economic Cooperation (OEEC) and estimated the cost of Europe's recovery over a four-year period (1948-52) at \$22 billion. Under the Economic Cooperation Act of 1948, Congress authorized and appropriated \$17 billion, and the amount actually used was \$12.5 billion (43). Britain, France, and Germany received more than half of this amount.

Gauged by results, the Marshall Plan was successful, both for the US and for Europe. By the outbreak of the Korean War in 1950, Europe was already exceeding its prewar production by 25 percent; two years later, this figure was 200 percent higher. British exports were doing well, the French rate of inflation was slowing, and German production had reached Germany's 1936 level. The dollar gap had been reduced from \$12 billion to \$2 billion.

The Marshall Plan had indeed been a massive success, and at a cost that represented only a tiny fraction of our (the US) national income over the same four-year period and was smaller than America's liquor bill for those same years! Far from bankrupting the economy, as some of the Marshall Plan's critics claimed it would, the Plan helped the country enjoy an economic boom [57:53].

German citizens today continue to attribute their current high standard of living to the influx of dollars 30 years earlier under the Marshall Plan (76:22).

The Rearmament of Europe

Soon after the Marshall Plan was launched, it became clear that the Plan itself would not suffice. For in February

of 1948, the Soviets engineered a coup d'état in Prague and Czechoslovakia joined its neighbors behind the iron curtain. The following June the Soviets imposed their blockade of Berlin in an effort to dislodge the Western Powers from the city. Understandably, these overt Soviet acts made the Western Europeans extremely jittery. In such a politically insecure atmosphere, Europe's economic recovery was nearly impossible.

People do not make the necessary sacrifices and work hard to recuperate today if they feel that tomorrow they will be conquered and that their efforts will all have been in vain. In short, it suddenly became crystal-clear that a prerequisite for Europe's recovery was military security [57:54].

As they had joined in economic cooperation, the nations of the OEEC now banded together in an organization dedicated to military cooperation--the Brussels Pact of collective self-defense. And just as the vitality of the OEEC had depended upon American capital for success, the members of the Brussels Pact expected their alliance to attract US military support.

The US responded as anticipated. On 25 July 1949, President Truman signed the instrument of ratification of the North Atlantic Treaty. The heart of the Treaty, Article 5, stated that the parties to the agreement agreed that an armed attack against one or more of them would be considered an attack against them all. Specifically, this meant that Europe had become the United States "first line of defense" and that the US would fight if Soviet troops crossed the Elbe River. It was precisely this knowledge that the US would fight to preserve Europe's freedom that was supposed to deter Soviet attack.

This strategy of deterrence relied almost exclusively upon American strategic airpower, i.e., upon the ability of the US Air Force's Strategic Air Command (SAC) to destroy the USSR with atomic bombs.

Two events rapidly changed this reliance upon the "nuclear umbrella." In late 1949, the USSR exploded a nuclear device. This portended a new Soviet capability and foreshadowed an end to US sole possession of an atomic stockpile. The second event was the North Korean invasion of South Korea in June 1950. In the view of US strategists, the attack would not have been made without Soviet approval and, therefore, suggested a possible change in Soviet intentions. The USSR might be prepared for all-out war. The Western response to these two acts, particularly with the Peoples Republic of China's (PRC) intervention in Korea, was large-scale rearmament.

In July of 1949, President Truman presented to the Congress a program of military assistance for Europe. This proposal, with substantial amendment, eventually became the Mutual Defense Assistance Act of 1949. This Act, in turn, greatly influenced all subsequent military assistance legislation. It brought together in one bill and under one policy the various US military aid efforts and inaugurated military aid to Europe. The original authorization under this bill was \$1.314 billion (43). While a discussion of the military and political history of the Korean War is outside of the purview of this thesis, suffice it to say that during and since the Korean War the US

furnished grant aid military equipment to the South Koreans valued at billions of dollars. The Republic of Korea has today reached the point of recovery which permits purchase of US arms through FMS.

Summary

The US emerged from WWII as a world leader in the midst of nations whose economies had been shattered by years of warfare. There was no return to "splendid isolationism" as had occurred following US participation in World War I. Relatively unscathed, the US came to the fore as the protector of the free world.

Mr. Truman's statement before the joint session of Congress that the security of the US was directly related to the collective security of the free world set the US course of world leadership for common defense and collective security.

At the close of WWII, the US was at the greatest stage of mobilization in its history (65:2). Fully equipped combat, combat support, and combat service support troops were deployed worldwide. Military equipment of practically every type and description became excess to the needs of a country rapidly demobilizing its armed forces. Consequently, when the requirement arose to assist Greece and Turkey with military supplies and equipment, more than adequate stores of excess material were available for ready shipment and, in view of the economic chaos of the recipient nations, it was reasonable to expect that such material should be provided on a

nonreimbursable, i.e., grant aid, basis. The same conditions existed, when in 1949 under the Mutual Defense Assistance Act, the countries of NATO as well as other nations were furnished military supplies.

Through the three vehicles of the Truman Doctrine, the Marshall Plan, and the rearmament of Europe, the US sought to establish the peace and political stability essential to the development of the economies of the US and other nations of the free world. Only in such a world could international trade flourish to the benefit of all and particularly of the US.

CHAPTER III

THE EISENHOWER ADMINISTRATION

Introduction

The foreign policy of the administration of Dwight D. Eisenhower was not very different from that of his immediate predecessor, Mr. Truman: "containment of Communism by drawing a frontier around the Sino-Soviet periphery and supporting that frontier with nuclear air power [57:102]." The concept of containment proposed by George Kennan and enunciated by President Truman in the "Truman Doctrine" would continue to be US policy.

The status of the MAP likewise remained relatively unchanged. After signing the North Atlantic Treaty, the US deployed the equivalent of five divisions in Europe under NATO command and was thereby fully committed to the collective defense obligations of Article 5 of the Treaty. During the early years of Mr. Eisenhower's second term, 1957-61, US military assistance was being poured into Europe at the rate of about \$1 billion per year.

This was a period when US economic and military power was highly visible throughout the world. The concept of collective security ultimately involved the US in mutual security treaties with 47 nations.

Security Assistance could be obtained almost for the asking. It was the hey-day, the highwater mark of Grant Aid--a program which was warmly supported by Presidents and Congresses alike [44].

From 1950 to 1969, the arms given to noncommunist countries were valued at \$34.8 billion. The US built air, ground, and naval bases in every quarter of the globe pursuant to the security treaties. During the same period, the US sold only \$12.1 billion in arms.

The Eisenhower Doctrine

The nationalization and seizure of the Suez Canal in 1956 by President Gamal Abdel Nasser of Egypt prompted Britain, France, and Israel to resort to armed intervention. President Eisenhower threw his support behind the successful efforts of the United Nations to secure a peaceful settlement and the withdrawal of Anglo-French-Israeli forces from Egyptian soil. In the process, the US found herself in an unaccustomed position--voting with the USSR and the "neutrals" of the Third World against her major NATO allies.

Upon the withdrawal of the occupation force, a power vacuum was once again left in the Middle East and Western apprehensions rose again that the USSR would take advantage of the unstable position. In January of 1957, President Eisenhower asked Congress to give him authority to give economic aid and military support to any nation in the Middle East threatened by Communism which requested such aid.

Congress responded to this "Eisenhower Doctrine" as it had to Mr. Truman. It passed a joint resolution stating:

...the United States regards as vital to the national interest and world peace the preservation of the independence and integrity of the nations of the Middle East.

To this end, if the President determines the necessity thereof, the United States is prepared to use armed forces to assist any such nation or group requesting assistance against armed aggression from any country controlled by international communism [57:129].

The Congress backed the resolution with an appropriation of \$200 million for immediate relief. President Eisenhower was thus made fully responsible by the Congress to protect the nations of the Middle East and these, if under threat, would be given military assistance merely for the asking.

Summary

The Eisenhower administration did little to change the course of military assistance as an element of US policy. The objective remained as established during the Truman administration--containment of Communism through collective security. Through an expanded system of treaties, the US sought to limit Soviet expansion.

The allies enlisted during this period, e.g., the nations of the Middle East, were financially unable to bear the burden of large defense budgets. The US, as it had been in postwar Europe, was placed in the position of furnishing arms on a nonreimbursable basis. The expansion of alliances brought concomitant extension of grant aid.

This increase in grant aid, however, could not continue indefinitely. Several factors began to influence the amount and nature of material available to the MAP. Recognition by US policy makers of these factors would begin the change the direction of the MAP during the Kennedy administration.

CHAPTER IV

THE KENNEDY AND JOHNSON ADMINISTRATIONS

Introduction

John F. Kennedy and his administration brought about an active approach to the administration of American foreign policy. He and his administration had about them a flair and style that set them apart from the generation that had shaped American policy in earlier years (40:287).

Kennedy was known to have a superb vitality, a quick and trenchant mind, and a grasp for global problems. He set the tone for his role in office from the very outset. Other Presidents had grappled with the obligations of world leadership which they had inherited. Not until President Kennedy's inaugural address, however, did a chief executive proclaim it as a dominant fact of American life (74:417). Speaking exclusively about the global tasks and challenges facing the United States, Mr. Kennedy in his Inauguration Day message to the nation reaffirmed the Truman Doctrine. He made the following declaration in very forceful tones:

Let every nation know that we shall pay any price, bear any burden, meet any hardship, support any friend, oppose any foe to assure the survival and success of liberty. We shall do this and more [40:287].

Such was the style of this reaffirmation, that Nathan and Oliver termed it, characteristically enough, "containment with vigor [40:287]." Figure 5 displays the continuity of containment

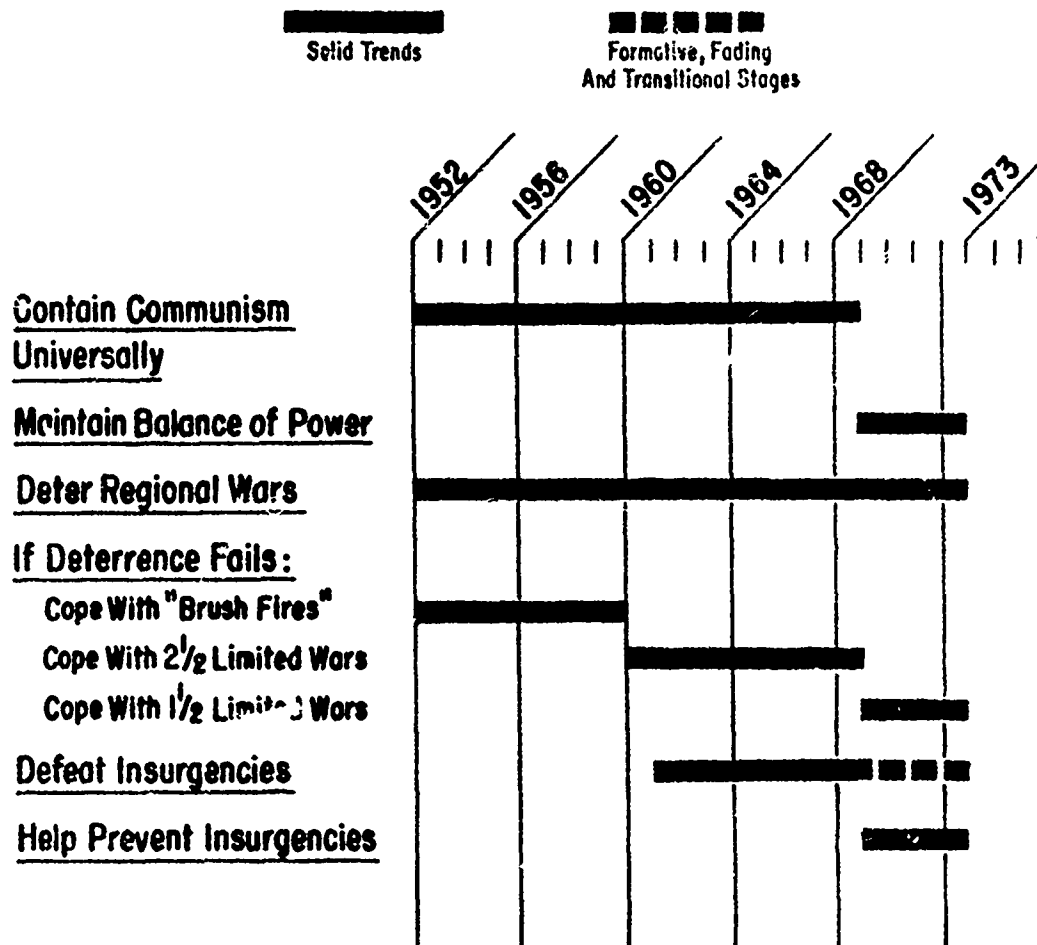


Figure 5. US General Purpose Objectives (9:21)

among US foreign policy objectives.

The US and the Third World

During the early 1960s, US policy makers believed that the Communists sought to attain decisive military superiority over the Western Powers and, until they achieved this purpose, to weaken the West by political-psychological warfare operations. The intermediate purpose of the Communists was to exacerbate division among Western nations in order to forestall the consolidation of the West's superior resources. The West's determination to achieve unity introduced the most important single imponderable into the Soviet strategic calculations (1:3-4).

The Western nations and specifically among them the US, however, faced their own imponderables. American military might was too thinly stretched to meet US global commitments. US foreign aid was underfinanced as was the flexibility of US military potential. In the developing countries of the Third World, populations and poverty grew faster than the combination of their resources and US assistance (56:228-229).

Talk about the Third World had begun about the end of Mr. Eisenhower's second term in office and the beginning of the Kennedy period. These were the new rising nations of the Middle East, Southeast Asia, tropical Africa, and Latin America. Power vacuums had developed in these areas while the "Big Four" (US, USSR, Western Europe, and PRC) concerned

themselves with their own development and security (52:184). Thus, when American statesmen began to reassess the Third World situation, the US found itself in a familiar position. Such power vacuums were dangerous to the US, since the vacuums provided an opportunity for the Communist influence to flow into the voids.

When these new rising nations had become independent, they had been left a legacy of extreme poverty, illiteracy and disease. Economic development was the logical remedy. Industrialization was considered to modernize, i.e., to transform a backward, traditional agrarian society into a twentieth century community. Industrial strength also gave a nation military strength. Any nation-state must be concerned with its defense. But for a new nation particularly, "power" must come ahead of "profit". Power was not considered by these new nations as a means of attack, but rather as a symbol of the new nations' sovereignty and independence, and a means of acquiring the status and respect already possessed by the older members of the international society of nations (52:184-187).

The Communists also recognized the vacuums in the Third World. In a speech on 6 January 1961, Soviet Premier Nikita Khrushchev advocated the overthrow of Western and Western-oriented regimes in underdeveloped countries and the drawing of these new countries into the Soviet system (1:6). The USSR believed that the problems of the United States and its

allies could be exacerbated by actions in the Third World. The US alliance system would fall by its own military inadequacies due to lagging technological progress and insufficient military budgets, and by an all-pervasive erosion of Western morale by defeatism, unilateralism, and a general crisis of confidence in the effectiveness of collective defense. The Soviets felt that the deterioration of the collective defense system would "be hastened by ubiquitous disturbances throughout the Third World [9:22]."

The US and Collective Security

Despite the Soviet assessment, the Kennedy administration reaffirmed US preference for collective security over unilateral defense (9:22). Figure 6 displays the status of collective security as US policy.

As a contribution toward collective security, US policy makers still felt that the close ties of the US and its allies were further strengthened by the Military Assistance Program. In a report to Congress, Secretary of Defense McNamara stressed that the program constituted an integral part of the US total national security effort; assisted US allies in organizing, training, and equipping forces to complement those of the US; and contributed to the maintenance of facilities abroad that were essential to the quick and effective employment of US forces in an emergency (66:40).

The cost of collective security. During the Truman and Eisenhower administrations, the primary type of military

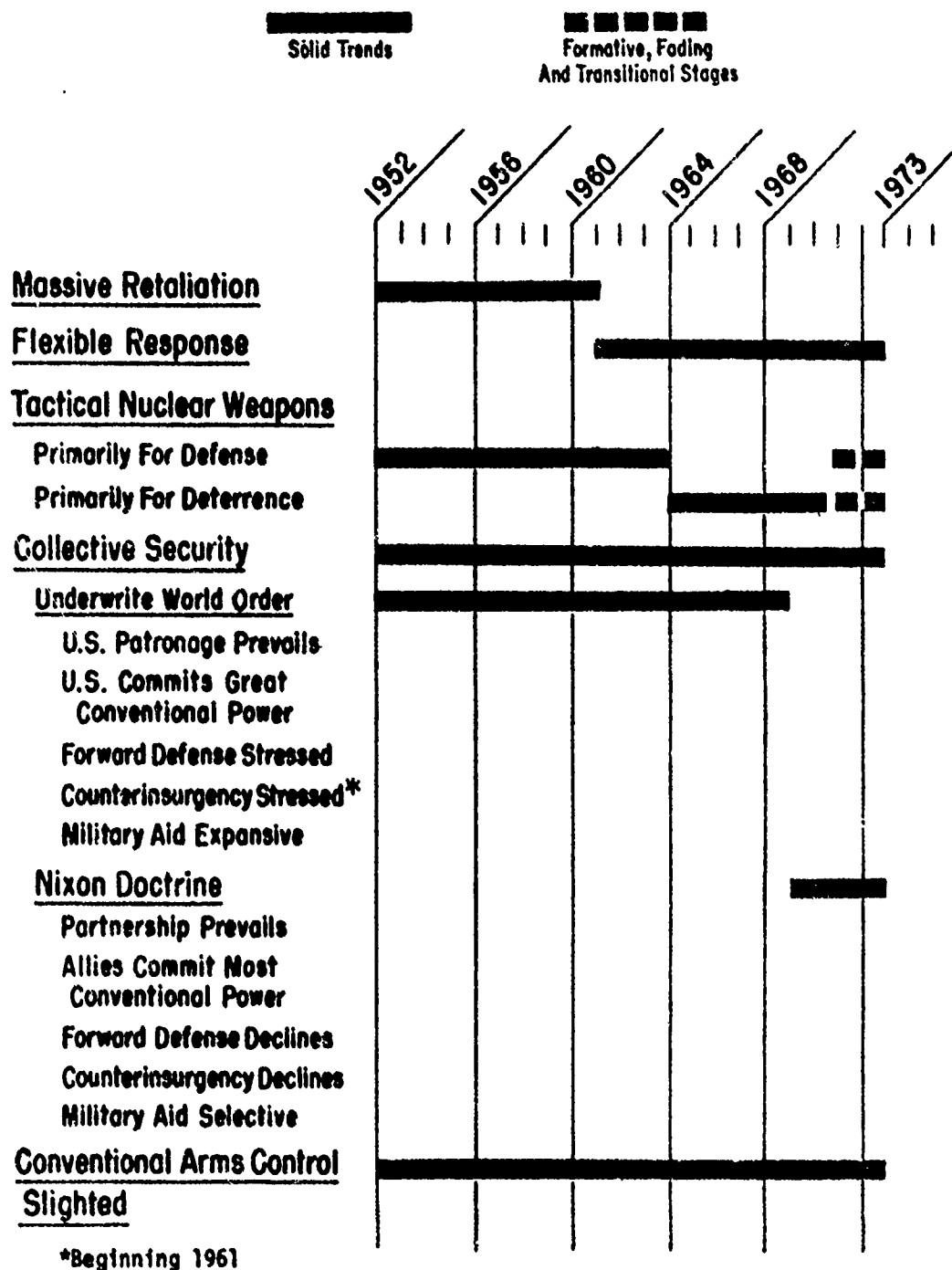


Figure 6. US General Purpose Policies (9:23)

assistance provided by the United States was grant aid. The military strength and security of nations receiving assistance were deemed necessary to the security of the United States and, for this reason, it was considered far less expensive to provide nations with assistance than it was to equip and move an American army to the scene (45:6).

Foreign Aid, as it was during the Truman and Eisenhower years, was originally fashioned as a prime weapon in the Cold War. The purpose of the Marshall Plan, the Truman Doctrine, and US aid to Greece and Turkey was "clear and unequivocal: to help buttress the Free World against Communism [19:46]." This was costly to the US.

As noted in Figure 7, one of the changes in the defense environment in the early sixties was the balance of payments deficit. This anomaly was considered an important factor in creating a US national defense structure that matched the then current policy goals with cost acceptable to the Congress and the public (9:5).

The balance of payments problem was the result of deficits created in the late 1940s and 1950s so that the Free World countries whose economies had been shattered by World War II and its aftermath could accumulate surplus dollars and build reserves of hard currency (9:5). The US was banker of the world, spending abroad, investing, lending and furnishing assistance in amounts which exceeded the dollars earned through exports of goods and services (5:239). Throughout the 1960s and the first half of the 1970s, the US was experiencing an

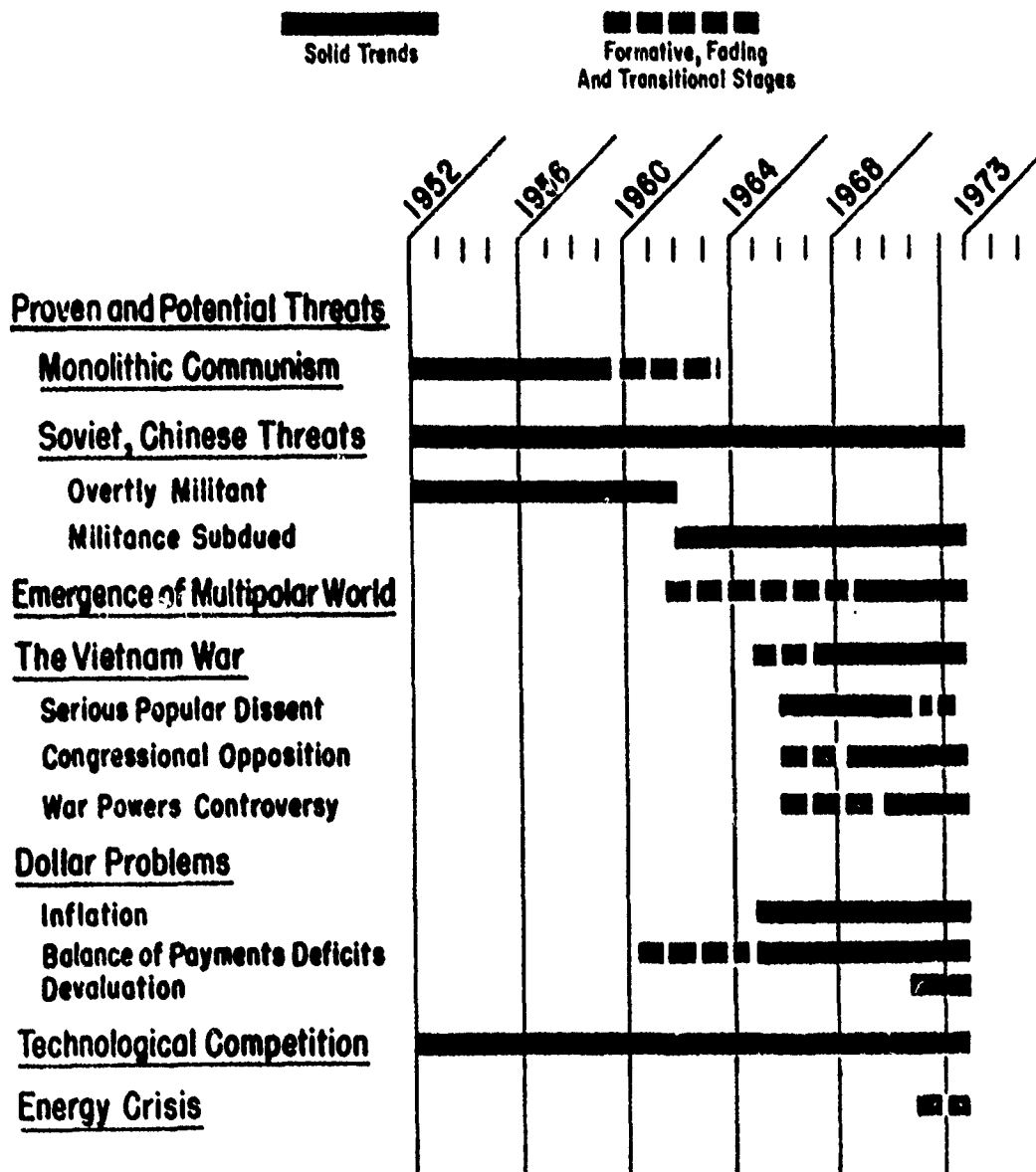


Figure 7. Changes in the Defense Environment (9:3)

unfavorable trend in its trade balance, with imports increasing and surpassing exports by billions of dollars (13:58-67).

The gold flow problem also became of grave concern for the US. European countries and Japan were becoming prosperous and self-sufficient as they continued to build their monetary reserves. Yet, the United States between FY 1957 and the end of FY 1961, "...lost about \$5 billion of its gold holdings while its liquid liabilities to foreigners (which represented potential claims on our gold) had risen from about \$15 billion to about \$22 billion [37:33]." Figure 8 displays the level of the problem.

The underlying causes of the balance of payments crisis confronting the Kennedy administration seemed best understood in terms of the long-run and accumulating military cost of containment. Containment relied originally on the Marshall Plan and then in time came to rest on NATO, military assistance to Europe and the Third World. In short, foreign expenditures by the US government that in most instances did not have the financial return that might accompany private foreign investment. The result was logically and in practice a net deficit in American balance of payments. Large quantities of American dollars were being accumulated by foreign nations. The rationale for US expenditures was that the US "purchased" something of great value--"national security". As one noted author put it, however, this form of transaction cannot be factored into a balance of payments statement (26: 342).

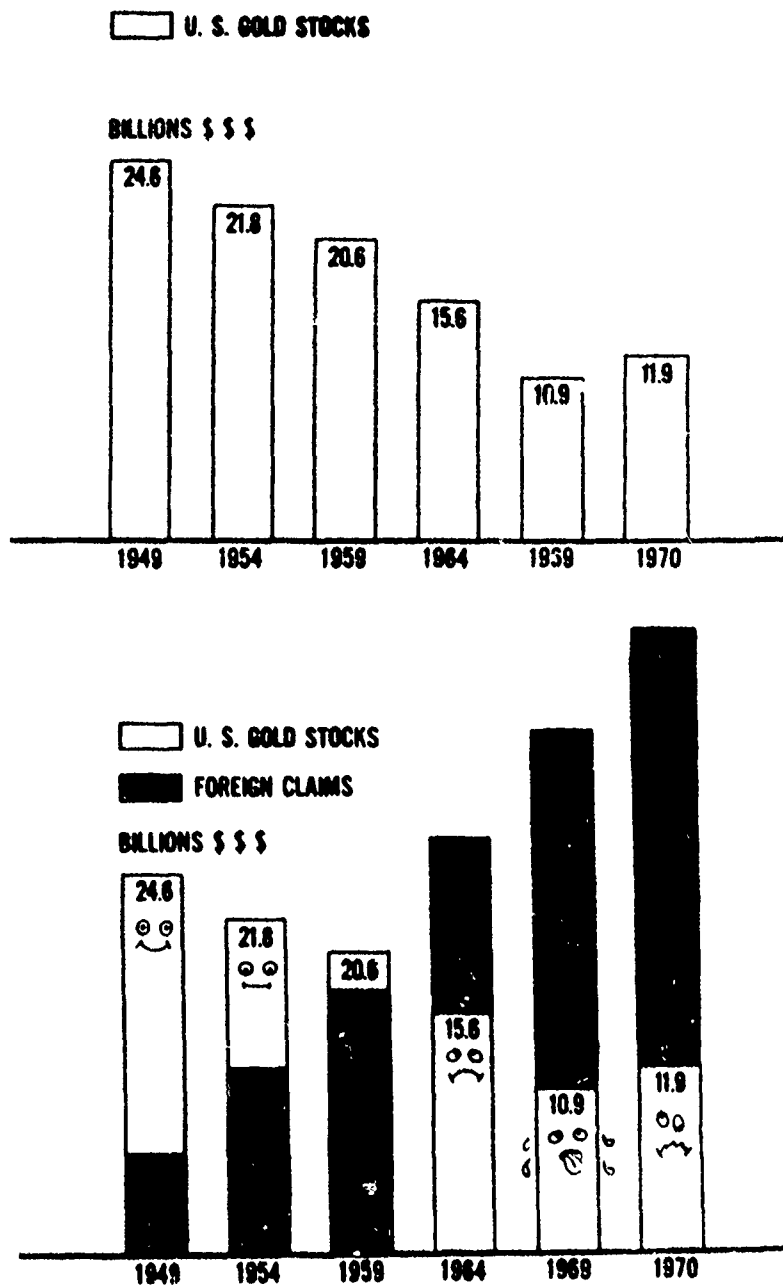


Figure 8. US Gold Stocks and Foreign Claims on US Gold (25:6-7)

It was obvious that foreign policy involved a large share of government expenditures, so much so that some sectors of American society believed that the expenditures forced by international affairs would bankrupt the US (31:277-278). Dr. Arthur F. Burns, Chairman of the Council of Economic Advisors during the Eisenhower administration, noted:

The defense sector has also contributed to the deficit in our balance of payments. Since 1950, the receipts from our sales of goods, services, and securities to foreign countries have run considerably below the sums that we need to pay foreign countries. One reason for the persistent deficit is the large expenditure that is required, year in and year out, to maintain our military abroad [26:65].

Dr. Burns further pointed out that this deficit in the balance of payments weakened international confidence in the dollar (26:65-66). Secretary of Defense McNamara, made a similar observation. He pointed out specifically that the cost of collective security was "particularly high[68:6]." He went on to say, however, that without dependable allies or friends the US would have to maintain a larger military establishment (68:7).

The Shift to FMS

From the Truman administration to the Kennedy administration, US military assistance was imbued with and supported by a consistent national doctrine (Truman Doctrine) and policy (containment of Communist influence through collective security). Thus, since 1947, when the US assumed the role of protector of the free world, the basic policies underlying the US military assistance program changed little.

Changing economic circumstances and resource limitations, however, produced changing applications of US policy (24:12). Resource limitations were evidenced in the balance of payments deficit which persisted into the 1960s. Effort was being made by all US government agencies to increase the inflow of dollars to the US by encouraging tourism in the US, by encouraging commercial exports, and by increasing military sales. Previously the sales program was of little importance in relation to the grant aid military assistance programs. By the 1960s, however, the balance of payments problem had become so acute that Foreign Military Sales was looked upon as a potential means of providing some reverse flow of foreign currency (45:7).

The trend from grant aid to sales had begun. The US budget could no longer carry the burden of a large grant aid program. Therefore, there was much Congressional and public pressure to reduce military-related expenditures (49:9). Special programs within DoD were subsequently aimed at the reduction of the adverse balance of payments by at least \$1 billion for FY 1963. Means identified to achieve this objective were to reduce US expenditures overseas and to increase receipts through additional procurement in the US by allies. It was later noted that the greatest contribution to the balance of payments effort was for US allies to recognize their responsibility for offsetting US defense dollars outlays

through the purchase of US equipment and services (67:50-51).

With attention focused on foreign assistance, the Foreign Assistance Act of 1961 became law during the Kennedy administration. The Act completely revised the basic legislation that had governed all foreign assistance programs. Congress, in passing this legislation, provided for a flexible military assistance program. Grants or sales were authorized as the authorization to lease, exchange, barter and other means in order to provide recipient countries with alternate methods of financing their military needs (63:5).

In the Act of 1961, Congress also reaffirmed its belief that the security of the US was strengthened by assuring the security of other free and independent countries. Chapter 2, Section 503, of the Foreign Assistance Act of 1961 reads:

The President is authorized to furnish military assistance on such terms and conditions as he may determine, to any friendly country or international organization, the assistance of which the President finds will strengthen the security of the United States and promote world peace and which is otherwise eligible to receive such assistance by:

(a) acquiring from any source and providing (by loan or grant) any defense article or defense service;

(b) moving financial contributions to multilateral programs for the acquisition or construction of facilities for collective defense;

(c) providing financial assistance for expenses incident to participation by the United States Government in regional or collective defense organizations;

(d) assigning or detailing members of the Armed Forces of the United States and other personnel of Defense to perform duties of a noncombatant nature, including those related to training and advice [78:13-15].

The emphasis given to military assistance in the 1961

legislation stressed the importance of military sales as compared to grants of military assistance to US allies. The 1961 Act required that the United States engage in foreign military sales to the greatest extent possible when such activities were in the best interest of the US and not to continue to engage in military assistance grants when it was within the capability of a country to buy that assistance.

In 1962, the Foreign Assistance Act of 1962, was approved and continued the policies contained in the 1961 Act, with a few minor amendments. This Act indicated that grant aid should be regularly reduced and ultimately phased out when, in the judgement of the President, a recipient nation became able to maintain its own defense forces without undue burden on its economy.

In early 1962, Secretary of Defense McNamara sent a memorandum to the Assistant Secretary of Defense which emphasized the Military Sales Program. The memorandum stated: "I should like to encourage sales of military equipment appropriate to the needs of foreign nations in every way possible [15:2]." The three main objectives established by the Secretary of Defense were to:

1. Promote the defensive strength of our allies consistent with our political-economic objective,
2. Promote the concept of cooperative logistics with our allies,
3. Offset the unfavorable balance of payments resulting from essential US military deployment abroad.

Secretary of Defense McNamara also echoed the impor-

tance and continuance of collective security when he stated that major defense decisions were based on "a firm commitment to the policy of collective security..." and

that the security of this Republic lies not solely or even primarily in military force, but equally in developing stable patterns of economic and political growth both at home and the developing nations throughout the world [69:34].

In view of the US commitment to the Free World and to the resolution of its balance of payments problem, it was becoming evident that the FMS program was to be a technique for buttressing alliances and an important factor in the US balance of payments (34:951).

The Johnson Years

President Lyndon B. Johnson's personal impact on the international scene (the Viet Nam conflict notwithstanding) was a bit more subdued than his predecessor. Mr. Johnson considered himself better prepared and more interested in domestic politics. Nevertheless, the shift from grant aid to sales continued into the Johnson administration. Secretary of Defense McNamara stated that the challenge to the Department of Defense was compelling. His instructions from both President Kennedy and President Johnson were simple:

to determine and provide what we needed to safeguard our security without arbitrary budget limits, but to do so as economically as possible [36:87].

Another aspect of the assistance program was inherited by the Johnson administration--opposition to foreign assistance by many legislators (7:19-27). Foreign assistance

programs had been unpopular with some segments of society and some legislative groups as far back as the Marshall Plan. Assistance programs had survived innumerable attempts to reduce their scope if not to eliminate them altogether. Opposition began to gain momentum in the 1960s. There were concerns about nations receiving aid which did little to reduce the dangers to US security, and nations which took the aid for granted and contributed minimum "self-help" to overcome their own problems. The unsolved balance of payments deficit supported the conviction that one of the largest liabilities America had was foreign assistance. Even members of the Senate Foreign Relations Committee, including leaders such as Senators J. William Fulbright (D-Ark) and Wayne Morse (D-Ore), opposed some aspects of the program.

Despite the criticisms of the program, the Kennedy and Johnson administrations operated on the conviction that however valid the criticisms, there was still no question that economic and military assistance to other governments continued to achieve American diplomatic goals. Both Presidents Kennedy and Johnson, however, conceded to one criticism, that the increasingly prosperous NATO allies ought to carry a proportionately greater burden of defense of the Free World (7:17-27).

Legislation during the Johnson administration which pertained to foreign assistance and sales also continued to support the transition from grants to sales. Each amendment from 1962 through 1967 to the Foreign Assistance Act of 1961

facilitated the sales of arms to friendly nations, but not without some opposition. Congress became concerned over the increased tempo, nature and direction of US arms sales activities (78:12-32).

Congress became sensitive to the potential fueling of an arms race and the concern that less developed nations were diverting resources from economic development to military expenditures. Congress began to place restrictions on sales. The intention was to bring DoD sales efforts into line with the US foreign policy objectives set forth by Congress (78:32). Restrictions were introduced which prohibited credit sales of sophisticated weapons to developing nations, limitations on any assistance to countries which made "unnecessary military expenditures," and transfer of US furnished arms to third nations (78:32). The Johnson administration itself also took a tough stand on arms sales, specifically arms sales to underdeveloped nations, and made it difficult for US companies to sell abroad (72:1404).

By the late 1960s, the future of US foreign assistance was very uncertain. Up to this point, it was unquestionable that opposition to foreign assistance had sprung from a political reality: "foreign aid had no 'constituency' in the US to bring pressure to bear upon Congress (7:Sec.21)." .

In spite of the spiralling cost of defense, there was another concept of the Kennedy administration which carried into the Johnson administration. That concept changed US policy from one of encouraging external defense to one of

assisting in economic development and internal security. This concept was directed toward resolving problems of US neighbors in Latin America. This type of assistance was also important to other nations of the Third World, a problem which Secretary of Defense McNamara dealt with by increasing military assistance (40:287). As cost of defense increased, President Johnson, just as President Kennedy had previously, emphasized that prosperous NATO allies ought to carry a proportion of the burden of defense of the Free World.

As previously mentioned, President Johnson's forte appeared to have been in the domestic arena, so there was little change in ideology or major US policy which impacted FMS in the Johnson administration (see Figure 6). Containment and collective defense were still major considerations on the international defensive fronts.

In the Congressional arena, however, the Foreign Military Sales Act of 1968 was enacted. This act brought the FMS program together under one act. It consolidated and revised the provisions of the Foreign Assistance Act of 1961, as amended. It authorized the President:

1. To sell defense articles and defense services,
2. To enter into contracts for procurement of defense articles and defense services for sale for US dollars to friendly foreign countries,
3. To finance the procurement of defense articles and defense services by friendly countries,

4. To control exports, whether government-to-government or on a commercial basis,

5. To ensure sales were consistent with and supportive of US foreign policy (60:1).

Included in the Act were stipulations that authorized sales by the US government to friendly countries having sufficient wealth to maintain and equip their own military forces at adequate strength, or to assume progressively larger shares of that cost, without undue burden to their economies in furtherances of the security objectives of the US.

The arms sales then, reflected the growing number of nations with the capacity to pay. This served to cut the number of grants abroad to foreign nations, and sales have exceeded grants every year since 1965.

Prior to the 1960s, little consideration was given to the longer run security interest of the US. It was not until near the end of the 1950s, that the difference between the short run military purpose of "mutual security" or "foreign aid" and the longer run economic purposes began to be recognized (24:256).

In 1968, Secretary of Defense McNamara (37:144) pointed out that from the standpoint of combat readiness, the United States had never been stronger and that the United States intended to maintain that readiness, but "if careful thought was given to the matter, it was clear that the purely military posture was not the central element in the US society." Mr. McNamara considered the decisive

factor for a powerful nation already adequately armed, to be the character of relationships that preserves its own security. He noted that first the US had to help protect those developing nations which needed US help and, as a precondition, were able to help themselves. Second, the US had to encourage and achieve a more effective partnership with those nations which can and should share international peacekeeping responsibilities.

Arms aid seemed to cover both points brought out by Mr. McNamara. Robert G. Wesson (75:80) stated that arms aid is an attractive means of implementing foreign policy. A country acquiring weapons ipso facto aligns itself to some degree with the nation supplying the weapons. Wesson also noted that recipients of military wares are likely also to seek nonmilitary goods from the same source. The services range from supplies to training, and political ideas were also absorbed. "Influence acquired by arms deals are fairly lasting because a switch is costly and protracted."

Summary

The Kennedy and Johnson administrations were faced with the US cast as the Free World leader in collective defense and a growing defense budget as a result of this commitment. At the same time the defense budget was growing, the balance of trade deficit was threatening the economic well-being of the US. Initially, the US public could rationalize the expenditures of US dollars on defense as a possible

contribution toward national security. But as the deficits continued, Congress and the public became concerned, particularly about the outflow of dollars to military related expenditures. Pressures were applied to the administration to reduce military related expenditures.

A means identified to reduce US expenditures on military related items was to encourage allies and friendly nations to assume a greater share of the burden of collective defense. The Foreign Military Sales program appeared to be a means to accomplish this objective.

The notion that allies should share a proportional share of the cost of defense of the Free World carried over to the Nixon administration, as did the importance of arms sales in political affairs.

CHAPTER V

THE NIXON AND FORD ADMINISTRATIONS

Introduction

The purpose of this chapter is to trace the evolution of the FMS program as it related to US foreign policy during the administrations of Richard M. Nixon and Gerald R. Ford. Reference is made primarily to President Nixon, but the discussion is inclusive of both the Nixon and Ford terms in office -- 1969-1974 and 1974-1977 respectively.

In contrast to President Johnson, President Nixon considered foreign policy as his field of primary competence and interest. He gave top priority to foreign affairs from the moment he entered office (12:95). It did not take very long for him to set forth a new dimension in US foreign policy and the International Logistics Program.

The Foreign Military Sales Act of 1968 had been passed just weeks prior to the election of Mr. Nixon as President. As stated in the preceding chapter, the 1968 Act for the first time separated FMS from the other military aid programs. This act also served to increase the emphasis on FMS as opposed to grant aid but it was not intended to promote the sales of weapons. Congress was clear in its intent, and that intent in the form of restrictions was incorporated into the FMS Act of 1968. US involvement in FMS was, therefore, still at a relative low level (33:7). US policy change, however, was

soon to provide new impacts.

The Nixon Doctrine

President Nixon, considered a political moderate, was determined to narrow the federal budget deficit and reduce commitments overseas (39:4). He first stated his "Nixon Doctrine" at Guam on 25 July 1969 and in a subsequent Report to Congress, 18 February 1970. President Nixon reaffirmed that the US would keep all treaty commitments.

We shall furnish military and economic assistance when requested and as appropriate. But we shall look to the nation directly threatened to assume the primary responsibility of providing the manpower for defense [42:55].

It was implied that those nations requiring American arms for their own defense would pay for them rather than receive them free (42:55-56). The Nixon Doctrine thus gave new emphasis to FMS and the increase in dollar volume. A directive issued by President Nixon dated 20 December 1973, established an interdepartmental committee on export expansion which appeared to give full approval to an open-ended arms sales effort (2:5).

Arms sales increased dramatically after proclamation of the Nixon Doctrine. The increase continued despite congressional criticism and attempted restrictions.

While the Nixon Doctrine provided the impetus for the increase in FMS, other factors contributed to sustain the increases. As the emphasis in US arms exports shifted from aid to sales, economic motivations gained prominence (59:56). Inflation raised prices and dollar values; devaluation made US

arms attractive; and developing nations became increasingly capable of paying for arms.

This phenomenon happened to coincide with America's interest in oil. The oil producing nations, with sudden surpluses of foreign exchange, were expanding their efforts to purchase the most sophisticated weapons available (59:5). The US Government became more deeply involved in FMS as opposed to commercial involvement, through customer preference.

The continued availability and dependability of logistic support provided by the US Government to foreign customers relieved the customer of the expense of providing his own system. This preference was noted as a reflection of the US commitment--both morally and as a matter of policy (44).

In addition to the factors mentioned above, some new thoughts were emerging which would also impact FMS. It had already been acknowledged by the Department of Defense that the US sales program had continued to ease the balance of payments deficit (69:246-252). President Nixon had noted that trade played a significant role in international politics:

The structure of peace cannot exist unless it encompasses international economic affairs. Our progress toward world peace and stability can be significantly undermined by economic conflicts which breed political tensions and weaken security ties [42:52].

It was confirmed then that trade was clearly important for the US economically and politically. For certain industries, such as aircraft, "exporting is essential" (42:52).

In the previous chapter, it was brought out that foreign assistance, as it was at that time, had no constituency.

Burns, however, noted a growing support for the defense industry. He observed:

The defense sector is abetted by ordinary citizens. For example, if a particular defense contract is phased out, it causes men and women who, however much they abhor war and its trappings, have become dependent for their livelihood on the activity whose continuance is threatened. With a large part of our economy devoted to defense activities, the military industrial complex has thus acquired a constituency including factory workers, clerks, secretaries, and even barbers and grocers. Many communities now have a vested interest in defense activities [26:66].

Military sales became interwoven into the military defense posture of the US as sales supported the Nixon Doctrine of reducing military presence abroad by placing emphasis on "peace through partnership". The policy required that more emphasis be placed on furnishing allies with appropriate military and economic assistance.

Secretary of Defense Melvin R. Laird in referring to curtailing US overseas involvement and expenditures stressed that it was dependent on the US being able to persuade and help allies and friendly nations to do more. He supported the continuance of the US providing the necessary tools. "Therefore", he stated, "...we should be ready to increase MAP funds and credit assisted sales of military equipment abroad [61:34]."

Foreign Military Sales now had a constituency, it was tied to US doctrine and foreign policy, and integrated into the US defense posture. Additionally, FMS was still considered a means by which the balance of payments issue could be eased.

Sales had become important for the American balance of payments, spiraling from \$3.6 million in FY 1973 to about \$14 billion in 1975, the bulk of the latter figure being arms sales to the oil-rich Near East (75:81). Other economic rationale was tied to welfare or national interest of the US as well as national and international security; sales aided high employment levels in the defense industry; a "warm base" was maintained for defense production; and, sales lowered the per-unit cost of greater output (59:56). Yet, there was an even more important role for which FMS was suited. Recipients of military wares were likely to seek non-military goods from the same source. Political and cultural ideas were also transferred. This transferral aided the "partnership in defense" aspect of US policy. Since, it must be noted that partnership in defense matters is not an inevitable outcome of all military assistance relationships. Wealthy nations can and do establish military relationships that "go nowhere" in terms of defense outcome. The secret to maximizing imports lies in establishing and maintaining relationships before and during the operation of a specific program, not in the guiding principles of military assistance policy (8:191-192). Sales have thus become an economic and political reality. With sales, the US could inhibit or improve the military capabilities of other countries by limiting or selling advanced weapon equipment.

There is current thought that the refusal to sell

advanced weapons could have serious military and political consequences. It is emphasized again, that such sales of advanced weapons are a source of revenue and keep production lines going; and, as in Western Europe, are a major factor toward standardization of equipment. Nations providing weapons and information gain some influence over countries acquiring them, a certain control over the way in which they may be used (8:191).

Legislation during the Nixon-Ford tenures continued to support FMS despite some vocal opposition. A House Report recorded in the Congressional Quarterly Almanac stated that there was a continuing requirement for the FMS program because it served US national security interest and was an important instrument of US foreign policy (11:928-929).

Legislative restrictions pertaining to FMS appear to have resulted primarily from Congress' desire to be kept informed of FMS activities, to control expenditures of government funds related with the program, and to use the program to further US policy objectives (78:77).

Summary

Throughout the Nixon and Ford administration, FMS continued to be considered an appropriate instrument of foreign policy tied to and supported by both US doctrine and policy. Due to its broad impact on the domestic economy, its ties to the defense posture and its possible positive impact on foreign relations, FMS picked up a constituency and

continued to grow.

Arms transfers were consistent with US foreign policy and security objectives despite some Congressional concerns over the amount of weapons exported each year. This concern, however, did manifest itself in a new legislative act. Alarmed over the amount of weapons exported each year, Congress passed the Arms Export Control Act in 1976 as a result of their growing interest and concern.

The Act required the President to give Congress complete details concerning proposed arms sales, required the reporting of all agents' fees, limited arms sales to \$9 billion, and permitted Congress to terminate military assistance to countries violating human rights. The President vetoed this first proposal as he was opposed to the restraints. (27:244-245). A subsequent compromise was worked out whereby Congress could override weapon sales exceeding \$25 million. The \$9 billion ceiling on arms sales was retained as a non-binding objective.

Since 1976 was an election year, the effects of this new act could be expected to culminate in the succeeding administration. Jimmy Carter would succeed to the Presidency in 1977.

CHAPTER VI

THE CARTER ADMINISTRATION

Introduction

This chapter continues to relate activities in the in the arms transfers environment to US foreign policy as administered by various Presidents. Up until this period, arms transfer activity appeared to have been consistent with foreign policy and national security objectives. This observation excludes the Arms Export Control Act of 1976, which had little time to impact the Ford administration. It would be expected, however, that Congressional concern over the amount of weapons exported would be manifested in the succeeding Carter administration.

The Carter Statement

As a presidential candidate, Mr. Carter played on widespread liberal uneasiness over the rapid growth of weapons purchases by foreign governments and promised to get some kind of handle on the problem. Moreover, Vice-President Walter Mondale, then Senator Mondale, was a leader during the two years prior to his assuming office in the effort to exert greater supervision--and veto power--over administration decisions to sell sophisticated weaponry abroad (16:79).

One of President Carter's criticisms was what he

believed to be a lack of control over arms sales under the Nixon and Ford administrations. President Carter contended that the United States could not be both the champion of peace and the world's leading arms seller simultaneously. He confirmed his intentions by announcing, on 19 May 1977, a new United States policy governing the transfer of conventional armament to foreign states. Appendix A contains the address test.

The President thus committed his administration to curtail arms sales. His policy statement, however, while it implied commitment did not spell out procedures by which the policy was to be implemented.

Nevertheless, it appeared that current legislation would be sufficient to guide the Carter administration towards its policy objective of reducing arms sales. The Arms and Export Control Act of 1976 was just such legislation--as the name implied. For example, the Act states that the President shall submit to Congress a notice (written certification) of a proposed sale prior to giving his consent.

And a

letter of offer shall not be issued if the Congress, within thirty calendar days after receiving such certification, adopts a concurrent resolution stating that it objects to the proposed sale...[60:743].

The controls for an effective policy were present. A report released by the Senate Foreign Relations Subcommittee on Foreign Assistance, however, stated: "US arms transfers continue to occur on a rather routine basis [32:25]."

These transfers occur despite the statement by the President that arms transfers would be

an exceptional foreign policy implement, to be used only in instances when it can clearly demonstrate that the transfer contributes to our national security interests [32:25].

The report also stated:

There are many regions where the administration has determined that continued sales or even new sales are necessary to American purposes. In these cases, significant reduction in the level of arms sales would cause considerable cost to American diplomatic or security interest--the May 19 declaration notwithstanding--would appear to impose a price that the administration is not willing to pay [32:40]."

During the four months following the 19 May announcement, the report said the administration transmitted to Congress 45 arms sales notifications. These involved 18 countries (32:iii). The report acknowledged peripheral changes related to controls:

To be sure, there is a heightened sensitivity to arms control concerns, a more positive and centralized control of the executive branch's management of arms transfer request and new regulations governing the manner in which requests are induced or initiated [32:97].

But, the report added: "Despite these changes...a mainstream of arms sale approvals continued to flow from the review process, with restraints applied mostly at the margins [32:95]."

President Carter himself appeared to be leading the way usurping controls as he urged the Congress to approve the \$1.2 billion sale of the sophisticated Airborne Warning and Control System (AWACS) to Iran. Some senators complained that the sale contributed nothing to American security, but those

who opposed could not get enough votes to block the sale (20:5).

The weakness in the situation which gave the appearance of policy inconsistency, was that exceptions continue to be made because the criteria and procedures for judging a particular arms sale have not been decided upon. Certain programs continued to be offered without alternatives because appropriate procedures and criteria for implementing the President's policy have not been established (41:21). The guidelines of the policy are also susceptible to bookkeeping manipulations. And, such general guidelines do not offer much help (20:5). When Lieutenant General Howard Fish was head of the Defense Security Assistance Agency, he confirmed that the administration's estimate of its overseas arms sales for FY 1977 had suddenly risen from the \$9.9 billion level given Congress in September 1977 to \$11.3 billion (20:5).

The Status of Arms Transfers

It was known that when President Carter assumed office, one of the major issues he would have to deal with was foreign arms sales (16:79). Foreign orders for US weapons which were \$8.5 billion in FY 1976, and expected to hit \$9 billion in FY 1977, had already exceeded the ceiling (44).

A Congressional Budget Office study completed in early 1976 showed that arm sales cut the US cost for weapons by \$560 million a year. More importantly, the study estimated that if foreign sales were eliminated, the then current dollar gross national product would be cut about \$20 billion by FY

1981. Real gross national product would drop by \$12 billion, at a cost of about 350,000 jobs, and net exports would fall by \$7.5 billion (10:1).

Another problem was that the President's policy statement was a unilateral reduction in the total volume of US arms sales. But, as noted in the 19 May statement, the President declared:

I am initiating this policy of restraint in the face of understanding that actual reduction in the worldwide traffic in arms will require multilateral cooperation [54:30].

He envisioned the rest of the world going along with the US after the US took the first giant step.

Approximately two months after the President's statement, however, a partially released report from the National Security Council, stressed that "the prospect that other countries will voluntarily and spontaneously follow our model of restraint is unlikely [17:2]."

President Carter, has failed to date, to resist traditional pressures such as:

1. Arms sales helping to cut the trade deficit,
2. Intense pressure from industry,
3. Sales of sophisticated weapons often reduce production cost (20:5).

A briefing prepared by the US Air Force Systems Command (17:5) sums up the benefits as perceived by that service and perhaps many other constituencies:

Military export sales support specific foreign policy

and security interests of the United States. Such sales have in the past improved internal order and increased the prospect for regional stability, thereby reducing the likelihood of direct US military involvement. Standardization of material, doctrine, and training is maintained. US employment is increased, research and development costs are spread wider, unit costs to the US services are reduced and forward material support is facilitated. The US balance of payments is aided and closer relations, cooperation, and partnership with other nations are engendered.

Perhaps the most difficult aspect yet, has been the simultaneous integration of the FMS program into the political, economic, and national security environment. There appears to be no clear cut separation between the political--military (or national security) policy area and other US Government foreign affairs--related activities (12:4).

Mr. Carter was evidently faced with the complexity of an integrated environment when he pushed for an arms sales package which surprised the American public--the package was for arms sales to Egypt, Israel, and Saudi Arabia. The Senate reluctantly conceded to the President by a vote of 54-44. The Senate was purported to have made a "political judgement" in favor of the Arabs. Meanwhile, President Carter expressed his gratification that the Senate had reaffirmed the US commitment to Israeli security (50:1).

In addition to the boost the US defense industry would receive from the sale of planes to Saudi Arabia, two days prior to announcement of the approval, it was announced that Saudi Arabia was going to pump \$50 million of Saudi Arabian funds into US urban projects (53:1).

Summary

The FMS program has been an increasingly important part of US foreign policy. It was consistent with the trend away from grant aid, it provided a means to reverse the gold flow, it offset the cost of defense to the US, and it supported and complemented US security objectives around the world.

Prior to the Carter administration, FMS became interwoven into the US national and international defense posture supported by stated US doctrine and policy. Promoted by both international and domestic objectives, the FMS program continued to grow until it constituted the bulk of US security assistance.

In recent years, the scope of US conventional arms transfers in the form of FMS has come under increasing scrutiny in the Congress, and several legislative enactments during this period sought to impose greater controls and a more thorough legislative review of such transfers. Reflecting its increased concern, Congress in 1976 passed the Arms Export Control Act of 1976. This legislation strengthened Congressional procedures for oversight of military assistance and sales programs and forced a comprehensive review of US policies.

During his 1976 election campaign, President Carter had expressed concern over the scope of US arms transfers. On 19 May 1977, the President issued a policy statement which

announced new conditions governing conventional arms transfers. These included a commitment to reduce the dollar volume, to refrain from being the first supplier to introduce newly developed advanced weapons systems into a region, and to discourage third country sales.

Despite the President's policy statement, some opponents of the scope of US arms transfers argued that the President has not followed his promised restraints and cited his approvals of sales to the Middle East as evidence of undiminished arms traffic. Arms sales continued to play a very substantial role in support of US foreign policy and national security objectives although inconsistent with the President's stated policy.

CHAPTER VII

CONCLUSIONS AND RECOMMENDATIONS FOR FURTHER STUDY

Conclusions

The basic objective of this thesis was to investigate and trace the historical evolution of US arms transfers since the end of WWII in 1945, their relationship to US foreign policy, and thus place in historical context the current stated US policy of arms transfers limitation and reduction. To this end, a comprehensive literature review was carried out which, coupled with information obtained through interviews, assisted the authors in formulating answers to the research questions.

It must be stressed that these answers represent solely the authors' opinions and evaluations and do not necessarily reflect the position of the US Government or its agencies. The conclusions of this thesis will be presented by answering the research questions which were posed in Chapter I.

Research question 1. What has been the relationship of arms transfers to US foreign policy objectives? Have arms transfer actions been consistent with stated policy?

Military assistance exists totally as a tool of and cannot be divorced from foreign policy. Arms transfers have been a key element in US foreign policy since WWII. Whether

in the form of grants or sales, the transfers of arms have, until the Carter administration, served as a consistent instrument in achieving stated American policy objectives, the containment of Communist influence and the collective security of the US and its allies.

When the economies of the nations of the Free World would not allow the purchase of arms, the US furnished military materials on a nonreimburseable basis. With the recovery of the war-torn economies, the US began the sales of arms so that other nations might carry their share of the defense burden of the Free World. In either case, arms were furnished by the US to support the policy of containment through collective security.

Research question 2. Could the US have pursued another transfer mode, i.e., grant aid or sales, at a particular period? Could the US have pursued a different course of action with more efficacious results?

As a tool of US foreign policy, arms transfers have existed in two forms--grant aid and foreign military sales. Given the economic chaos following WWII, it is doubtful that the US could have employed any other mode than grant aid. The very nations needing arms to resist Soviet influence were those in the deepest economic trouble.

The very success of the US aid to ailing economies, subsequently placed the US in an adverse balance of payments position. Following the early 1960s, the US economy could

no longer bear the burden of furnishing arms on a nonreimbursable basis.

Research question 3. Will the historical growth trend of US arms transfers continue in spite of President Carter's Arms Transfer Policy?

Economically, the reliance of the US upon imported materials, particularly oil, continues to place the US in an adverse balance of payments position. To counter the deficit the US must export to the maximum extent possible. United States arms are considered the best in the world and the US holds the position as the world's largest arms exporter.

Politically, recent arms sales have been to nations vital to the US--Iran on the southern flank of the Soviet Union, Saudi Arabia who attempts to hold the price line on oil at the meetings of the Organization of Petroleum Exporting Countries (OPEC), Egypt who has made peace overtures to Israel, and Israel whose survival has long been of concern to the US. While both Congressional and executive pronouncements call for limitation and reduction, no exact controls or denials of potential sales have occurred. Within the present state of world affairs, it is extremely doubtful for reasons of both politics and economics that the growth trend of US arms transfers can be curtailed.

Recommendations for Further Study

The authors feel that several issues have been raised in this study which warrant further research, particularly in

light of the topical nature of FMS, increased Congressional interest in the area, and the implications of both Congressional and executive actions in the FMS area for the DoD.

Two areas related to this study for which further research is recommended are:

1. The effect of the transition from grant aid to commercial sales on the ability of the US to use arms transfers as a foreign policy tool.

2. Whether economic or political factors now dominate in the US determination to transfer arms.

APPENDIX A

CONVENTIONAL ARMS TRANSFER POLICY

Conventional Arms Transfer Policy

Statement by the President May 19, 1977. (54:30-31)

The virtually un-restrained spread of conventional weaponry threatens stability in every region of the world. Total arms sales in recent years have risen to over \$20 billion, and the United States accounts for more than one-half of this amount. Each year, the weapons transferred are not only more numerous but also more sophisticated and deadly. Because of the threat to world peace embodied in this spiraling arms traffic and because of the special responsibilities we bear as the largest arms seller, I believe that the United States must take steps to restrain its arms transfers.

Therefore, shortly after my inauguration, I directed a comprehensive review of U.S. conventional arms transfer policy, including all military, political, and economic factors. After reviewing the results of the study and discussing those results with members of Congress and foreign leaders, I have concluded that the United States will henceforth view arms transfers as an exceptional foreign policy implement, to be used only in instances where it can be clearly demonstrated that the transfer contributes to our national security interests. We will continue to utilize arms transfers to promote our security and the security of our close

friends. But in the future the burden of persuasion will be on those who favor a particular arms sale, rather than those who oppose it.

To implement a policy of arms restraint, I am establishing the following set of controls, applicable to all transfers except those to countries with which we have major defense treaties (NATO, Japan, Australia, and New Zealand). We will remain faithful to our treaty obligations and will honor our historic responsibilities to assure the security of the State of Israel. These controls will be binding *unless* extraordinary circumstances necessitate a Presidential exception, or where I determine that countries friendly to the United States must depend on advanced weaponry to offset quantitative and other disadvantages in order to maintain a regional balance.

1. The dollar volume (in constant fiscal year 1976 dollars) of new commitments under the Foreign Military Sales and Military Assistance Programs for weapons and weapons-related items in fiscal year 1978 will be reduced from the fiscal year 1977 total. Transfers which can clearly be classified as services are not covered, nor are commercial sales, which the U.S. Government monitors through the issuance of export licenses.

Commercial sales are already significantly restrained by existing legislation and executive branch policy.

2. The United States will not be the first supplier to introduce into a region newly developed, advanced weapons systems which would create a new or significantly higher combat capability. Also, any commitment for sale or coproduction of such weapons is prohibited until they are operationally deployed with U.S. forces, thus removing the incentive to promote foreign sales in an effort to lower unit costs for Defense Department procurement.

3. Development or significant modification of *advanced* weapons systems solely for export will not be permitted.

4. Coproduction agreements for significant weapons, equipment, and major components (beyond assembly of subcomponents and the fabrication of high-turnover spare parts) are prohibited. A limited class of items will be considered for coproduction arrangements, but with restrictions on third-country exports, since these arrangements are intended primarily for the coproducer's requirements.

5. In addition to existing requirements of the law, the United States, as a condition of sale for certain weapons, equipment, or major components, may stipulate that we will not entertain any requests for retransfers. By establishing at the outset that the United States will not entertain such requests, we can avoid unnecessary bilateral friction caused by later denials.

6. An amendment to the international traffic in arms regulations will be issued, requiring policy level authorization by the Department of State for actions by agents of the United States or private manufacturers which might promote the sale of arms abroad. In addition, embassies and military representatives abroad will not promote the sale of arms and the Secretary of Defense will continue his review of Government procedures, particularly procurement regulations which may provide incentives for foreign sales.

In formulating security assistance programs consistent with these controls, we will continue our efforts to promote and advance respect for human rights in recipient countries. Also, we will assess the economic impact of arms transfers to those less-developed countries receiving U.S. economic assistance.

I am initiating this policy of restraint in the full understanding that actual reductions in the worldwide traffic in arms will require multilateral cooperation. Because we dominate the world market to such a degree, I believe that the United States can and should take the first step. However, in the immediate future the United States will meet with other arms suppliers, including the Soviet Union, to begin discussion of possible measures for multilateral action. In addition, we will do whatever we can to encourage regional agreements among purchasers to limit arms imports.

APPENDIX B

THE CONGRESSIONAL PROCESS

THE CONGRESSIONAL PROCESS

The Congress of the United States (US), by virtue of its legislative powers and obligatory interest in US economic and foreign policy affairs, is in a position to exert considerable influence over the development and conduct of the foreign military sales (FMS) program (78:4). In an overall sense, Congress has supported the FMS program in that Congress provided the basic authorization (63:1) for FMS during World War II, and has since allowed the program to exist.

The following constitutes a resume of post-WWII Security Assistance legislation:

1. National Security Act of 1947,
2. Economic Cooperation Act of 1948,
3. Mutual Security Assistance Act of 1949,
4. Mutual Security Act of 1951,
5. Mutual Security Act of 1954,
6. Foreign Assistance Act of 1961,
7. Foreign Military Sales Act of 1968,
8. International Security Assistance and Arms Export Control Act of 1976.

These acts provide fiscal and policy authorizations for foreign assistance for specified periods. Interim legislation is passed to authorize funds for those years not covered by the basic acts, and to amend the provisions of the basic acts. Depending on the wishes of Congress, the interim legislation may

be valid only for a specified period or it may be a permanent change to the original bill (43).

Appropriations are required to finance the foreign assistance provided for in the authorization bills. The appropriations act is usually an annual bill and can contain amendments to the original bill. Amendments included in the appropriations act are only valid for one year. If it is Congress' intent for them to remain in effect for a longer period they must be included in the authorization act.

Bills originating in the executive branch and proposed as administration measures are usually introduced into Congress by the chairman of the Congressional committee having jurisdiction over the subjects involved. In the case of foreign assistance legislation, the appropriate committees are the House Committee on Foreign Affairs and the Senate Committee on Foreign Relations. Each committee considers the bill and votes on its recommendations to the House or Senate.

The normal sequence of events is for the House Committee to consider the bill originally then present it to the House for passage. The Senate then receives the House passed bill with amendments if necessary. If there are conflicts between the House and the Senate versions of the bill, a conference of senior members from each house considers the legislation to reach a compromise. The conference report is then presented to both houses; when passed by both houses, the compromise bill is presented for signature by the President and becomes law.

APPENDIX C

PRIMARY EXECUTIVE BRANCH FUNCTIONS IN FMS

PRIMARY EXECUTIVE BRANCH FUNCTIONS IN FMS

The majority of the following was drawn from information presented in lecture by Doctor Leslie M. Norton, Professor of Logistics Management, for his course "International Logistics Overview" as part of the International Logistics Management curriculum, School of Systems and Logistics (43).

The President

The President is the overall director of foreign assistance programs. No defense articles may be furnished to foreign countries or international organizations unless he recommends that the act will strengthen the security of the United States and promote world peace. The President may recommend whether the transaction will be grant or sales (subject to the provisions of the 1961, 1968, and 1976 acts as amended). For sales, he may recommend the conditions for payment--payment on delivery, a dependable undertaking (payment within 120 days of billing), or credit sales (payment up to twelve years). He may also guarantee any agent doing business in the United States against political and credit risks of nonpayment arising out of their financing of credit sales of defense articles. Within the executive branch, many agencies have a variety of responsibilities related to security assistance. However, aside from the President, the Secretaries of State and Defense have the principal roles established by legislation, and the Congress must authorize and appropriate any US funds or credits.

The Secretary of State

Under the direction of the President, the Secretary of State is responsible for continuous supervision and general direction of the Military Assistance and Foreign Military Sales Programs, including determining the extent of a program and integrating it with other US activities to best serve the foreign policy of the United States. In practice, the primary action office of the Secretary of State on foreign assistance is the Agency for International Development.

The Secretary of Defense

The functions relating to security assistance are to:

- (1) determine end-item requirements; (2) integrate procurement with service programs; (3) provide delivery of end items, supervise training of foreign personnel and end-item use; and (4) prioritize procurement, delivery, and allocation of military equipment. In order to accomplish these functions in the most effective manner, the Secretary has delegated authority to a number of elements within the Department of Defense.

1. The Assistant Secretary of Defense, International Security Affairs (ASD/ISA), serves as the principal DoD point of contact, representative, and policy spokesman with respect to security assistance. He is responsible for coordinating and developing security assistance policy and overall programming guidance for preparation of plans and programs for approval of the Secretary of Defense. This responsibility includes preparing and supporting before

Congress the annual request for security assistance legislation and funds, maintaining liaison (for integration of effort) with other governments planning security assistance to third countries, and coordinating security assistance matters with other agencies and departments as appropriate.

2. The Director, Defense Security Assistance Agency (DSAA) is responsible for directing and supervising the administration and implementing the policies established by ASD/ISA.

3. The Defense Security Assistance Council (DSAC) advises the Secretary of Defense on security assistance matters and provides for coordination within DoD. Membership of DSAC includes ASD/ISA (chairman), DSAA (secretary), representatives of the Joint Chiefs of Staff (JCS), and appropriate ODS offices at the Assistant Secretary of Defense level. The desired output of the DSAC is a decision directing Air Force implementation of a given program.

Requirements directed to the Air Force are received by AF/IGF, the focal point for Foreign Military Assistance and Sales within the Air Staff. This directorate, in concert with the appropriate commands involved in the acquisition, coordinates the package to be recommended for implementation by the DSAC.

4. The Secretaries of the Military Departments serve as advisors to the Secretary of Defense on all security assistance matters impacting on or relating to their

department and act for the Secretary where authority is so delegated.

5. The Joint Chiefs of Staff (JCS) provide the Secretary with military advice on security assistance matters and force planning under the Total Force policy. They make recommendations to ASD/ISA on plans and programs submitted by the Commanders of Unified Commands. They also recommend to the Secretary of Defense the force levels and manning of the Military Assistance Advisor Groups (MAAG) under Unified Commands and recommend priorities and allocations of materials and requirements.

6. The Commanders of the Unified Commands correlate security assistance plans and programs with US military plans in their area of cognizance. They command the MAAGs in their area and direct and supervise all security actions in such areas.

7. The MAAGs represent the Secretary of Defense with the host country's military establishment. Their mission includes arranging for purchase of defense articles (including commercial sales) by coordination through the proper channels, assisting in arrangements for acceptance of materials, training, and services and developing security assistance plans and programs with the Country Teams. The Chief of the MAAG also serves the Chief of the Diplomatic Mission in carrying out the President's procedures for ensuring coordination (to include economic and political coordination) among representatives of the US government in each country (71:6)

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